

INTRODUCTION

Fundamental analysis is the cornerstone of investing. In fact, some would say that you aren't really investing if you aren't performing fundamental analysis. Because the subject is so broad, however, it's tough to know where to start. There are an endless number of investment strategies that are very different from each other, yet almost all use the fundamentals.

The biggest part of fundamental analysis involves delving into the financial statements. Also known as quantitative analysis, this involves looking at revenue, expenses, assets, liabilities and all the other financial aspects of a company. Fundamental analysts look at this information to gain insight on a company's future performance. A good part of this tutorial will be spent learning about the balance sheet, income statement, cash flow statement and how they all fit together.

MEANING

In this section we are going to review the basics of fundamental analysis, examine how it can be broken down into quantitative and qualitative factors, introduce the subject of intrinsic value and conclude with some of the downfalls of using this technique.

The Very Basics

When talking about stocks, fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. On a broader scope, you can perform fundamental analysis on industries or the economy as a whole. The term simply refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Note: The term fundamental analysis is used most often in the context of stocks, but you can perform fundamental analysis on any security, from a bond to a derivative. As long as you look at the economic fundamentals, you are doing fundamental analysis. For the purpose of this tutorial, fundamental analysis always is referred to in the context of stocks.

Fundamental Analysis: What Is It?

The Very Basics

When talking about stocks, fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. On a broader scope, you can perform fundamental analysis on industries or the economy as a whole. The term simply refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Fundamental analysis serves to answer questions, such as:

- Is the company's revenue growing?
- Is it actually making a profit?
- Is it in a strong-enough position to beat out its competitors in the future?
- Is it able to repay its debts?
- Is management trying to "cook the books"?

Of course, these are very involved questions, and there are literally hundreds of others you might have about a company. It all really boils down to one question: Is the company's stock a good investment? Think of fundamental analysis as a toolbox to help you answer this question.

Note: The term fundamental analysis is used most often in the context of stocks, but you can perform fundamental analysis on any security, from a bond to a derivative. As long as you look at the economic fundamentals, you are doing fundamental analysis.

Fundamentals: Quantitative and Qualitative

You could define fundamental analysis as "researching the fundamentals", but that doesn't tell you a whole lot unless you know what fundamentals are. As we mentioned in the introduction, the big problem with defining fundamentals is that it can include anything related to the economic well-being of a company. Obvious items include things like revenue and profit, but fundamentals also include everything from a company's market share to the quality of its management.

The various fundamental factors can be grouped into two categories: quantitative and qualitative. The financial meaning of these terms isn't all that different from their regular definitions. Here is how the MSN Encarta dictionary defines the terms:

- Quantitative – capable of being measured or expressed in numerical terms.
- Qualitative – related to or based on the quality or character of something, often as opposed to its size or quantity.

In our context, quantitative fundamentals are numeric, measurable characteristics about a business. It's easy to see how the biggest source of quantitative data is the financial statements. You can measure revenue, profit, assets and more with great precision.

Turning to qualitative fundamentals, these are the less tangible factors surrounding a business - things such as the quality of a company's board members and key executives, its brand-name recognition, patents or proprietary technology.

Quantitative Meets Qualitative

Neither qualitative nor quantitative analysis is inherently better than the other. Instead, many analysts consider qualitative factors in conjunction with the hard, quantitative factors. Take the Coca-Cola Company, for example. When examining its stock, an analyst might look at the stock's annual dividend payout, earnings per share, P/E ratio and many other quantitative factors. However, no analysis of Coca-Cola would be complete without taking into account its brand recognition. Anybody can start a company that sells sugar and water, but few companies on earth are recognized by billions of people.

For example, let's say that a company's stock was trading at \$20. After doing extensive homework on the company, you determine that it really is worth \$25. In other words, you determine the intrinsic value of the firm to be \$25. This is clearly relevant because an investor wants to buy stocks that are trading at prices significantly below their estimated intrinsic value.

This leads us to one of the second major assumptions of fundamental analysis: in the long run, the stock market will reflect the fundamentals. There is no point in buying a stock based on intrinsic value if the price never reflected that value. Nobody knows how long "the long run" really is. It could be days or years.

This is what fundamental analysis is all about. By focusing on a particular business, an investor can estimate the intrinsic value of a firm and thus find opportunities where he or she can buy at a discount. If all goes well, the investment will pay off over time as the market catches up to the fundamentals.

The big unknowns are:

- 1) You don't know if your estimate of intrinsic value is correct; and
- 2) You don't know how long it will take for the intrinsic value to be reflected in the marketplace.

Criticisms of Fundamental Analysis

The biggest criticisms of fundamental analysis come primarily from two groups: proponents of technical analysis and believers of the "efficient market hypothesis".

Put simply, technical analysts base their investments (or, more precisely, their trades) solely on the price and volume movements of securities. Using charts and a number of other tools, they trade on momentum, not caring about the fundamentals. While it is possible to use both techniques in combination, one of the basic tenets of technical analysis is that the market discounts everything. Accordingly, all news about a company already is priced into a stock, and therefore a stock's price movements give more insight than the underlying fundamental factors of the business itself.

Followers of the efficient market hypothesis, however, are usually in disagreement with both fundamental and technical analysts. The efficient market hypothesis contends that it is essentially impossible to produce market-beating returns in the long run, through either fundamental or technical analysis. The rationale for this argument is that, since the market efficiently prices all stocks on an ongoing basis, any opportunities for excess returns derived from fundamental (or technical) analysis would be almost immediately whittled away by the market's many participants, making it impossible for anyone to meaningfully outperform the market over the long term.

The Concept of Intrinsic Value

Before we get any further, we have to address the subject of intrinsic value. One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. After all, why would you be doing price analysis if the stock market were always correct? In financial jargon, this true value is known as the intrinsic value.

Fundamental Analysis: Qualitative Factors - The Company

Fundamental analysis seeks to determine the intrinsic value of a company's stock. But since qualitative factors, by definition, represent aspects of a company's business that are difficult or impossible to quantify, incorporating that kind of information into a pricing evaluation can be quite difficult. On the flip side, as we've demonstrated, you can't ignore the less tangible characteristics of a company.

In this section we are going to highlight some of the company-specific qualitative factors that you should be aware of.

Business Model

Even before an investor looks at a company's financial statements or does any research, one of the most important questions that should be asked is: What exactly does the company do? This is referred to as a company's business model – it's how a company makes money. You can get a good overview of a company's business model by checking out its website or reading the first part of its 10-K filing. Sometimes business models are easy to understand. Take McDonalds, for instance, which sells hamburgers, fries, soft drinks, salads and whatever other new special they are promoting at the time. It's a simple model, easy enough for anybody to understand. Other times, you'd be surprised how complicated it can get. Boston Chicken Inc. is a prime example of this. Back in the early '90s its stock was the darling of Wall Street. At one point the company's CEO bragged that they were the "first new fast-food restaurant to reach \$1 billion in sales since 1969". The problem is, they didn't make money by selling chicken. Rather, they made their money from royalty fees and high-interest loans to franchisees. Boston Chicken was really nothing more than a big franchisor. On top of this, management was aggressive with how it recognized its revenue. As soon as it was

revealed that all the franchisees were losing money, the house of cards collapsed and the company went bankrupt.

At the very least, you should understand the business model of any company you invest in. The "Oracle of Omaha", Warren Buffett, rarely invests in tech stocks because most of the time he doesn't understand them. This is not to say the technology sector is bad, but it's not Buffett's area of expertise; he doesn't feel comfortable investing in this area. Similarly, unless you understand a company's business model, you don't know what the drivers are for future growth, and you leave yourself vulnerable to being blindsided like shareholders of Boston Chicken were.

Competitive Advantage

Another business consideration for investors is competitive advantage. A company's long-term success is driven largely by its ability to maintain a competitive advantage - and keep it. Powerful competitive advantages, such as Coca Cola's brand name and Microsoft's domination of the personal computer operating system, create a moat around a business allowing it to keep competitors at bay and enjoy growth and profits. When a company can achieve competitive advantage, its shareholders can be well rewarded for decades

Harvard Business School professor Michael Porter distinguishes between strategic positioning and operational effectiveness. Operational effectiveness means a company is better than rivals at similar activities while competitive advantage means a company is performing better than rivals by doing different activities or performing similar activities in different ways. Investors should know that few companies are able to compete successfully for long if they are doing the same things as their competitors.

Professor Porter argues that, in general, sustainable competitive advantage gained by:

- A unique competitive position
- Clear tradeoffs and choices vis-à-vis competitors
- Activities tailored to the company's strategy
- A high degree of fit across activities (it is the activity system, not the parts that ensure sustainability)

- A high degree of operational effectiveness

Management

Just as an army needs a general to lead it to victory, a company relies upon management to steer it towards financial success. Some believe that management is the most important aspect for investing in a company. It makes sense - even the best business model is doomed if the leaders of the company fail to properly execute the plan.

So how does an average investor go about evaluating the management of a company?

This is one of the areas in which individuals are truly at a disadvantage compared to professional investors. You can't set up a meeting with management if you want to invest a few thousand dollars. On the other hand, if you are a fund manager interested in investing millions of dollars, there is a good chance you can schedule a face-to-face meeting with the upper brass of the firm.

Every public company has a corporate information section on its website. Usually there will be a quick biography on each executive with their employment history, educational background and any applicable achievements. Don't expect to find anything useful here. Let's be honest: We're looking for dirt, and no company is going to put negative information on its corporate website.

Instead, here are a few ways for you to get a feel for management:

1. Conference Calls

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) host quarterly conference calls. (Sometimes you'll get other executives as well.) The first portion of the call is management basically reading off the financial results. What is really interesting is the question-and-answer portion of the call. This is when the line is open for analysts to call in and ask management direct questions. Answers here can be revealing about the company, but more importantly, listen for candor. Do they avoid questions, like politicians, or do they provide forthright answers?

2. Management Discussion and Analysis (MD&A)

The Management Discussion and Analysis is found at the beginning of the annual report (discussed in more detail later in this tutorial). In theory, the MD&A is supposed to be frank commentary on the management's outlook. Sometimes the content is worthwhile, other times its boilerplate. One tip is to compare what management said in past years with what they are saying now. Is it the same material rehashed? Have strategies actually been implemented? If possible, sit down and read the last five years of MD&As; it can be illuminating.

3. Ownership and Insider Sales

Just about any large company will compensate executives with a combination of cash, restricted stock and options. While there are problems with stock options (See Putting Management under the Microscope), it is a positive sign that members of management are also shareholders. The ideal situation is when the founder of the company is still in charge. Examples include Bill Gates (in the '80s and '90s), Michael Dell and Warren Buffett. When you know that a majority of management's wealth is in the stock, you can have confidence that they will do the right thing. As well, it's worth checking out if management has been selling its stock. This has to be filed with the Securities and Exchange Commission (SEC), so it's publicly available information. Talk is cheap - think twice if you see management unloading all of its shares while saying something else in the media.

4. Past Performance

Another good way to get a feel for management capability is to check and see how executives have done at other companies in the past. You can normally find biographies of top executives on company web sites. Identify the companies they worked at in the past and do a search on those companies and their performance.

Corporate Governance

Corporate governance describes the policies in place within an organization denoting the relationships and responsibilities between management, directors and stakeholders. These policies are defined and determined in the company charter and its bylaws, along with corporate laws and regulations. The purpose of corporate governance policies is to ensure that

proper checks and balances are in place, making it more difficult for anyone to conduct unethical and illegal activities.

Good corporate governance is a situation in which a company complies with all of its governance policies and applicable government regulations (such as the Sarbanes-Oxley Act of 2002) in order to look out for the interests of the company's investors and other stakeholders.

Although, there are companies and organizations (such as Standard & Poor's) that attempt to quantitatively assess companies on how well their corporate governance policies serve stakeholders, most of these reports are quite expensive for the average investor to purchase.

Fortunately, corporate governance policies typically cover a few general areas: structure of the board of directors, stakeholder rights and financial and information transparency. With a little research and the right questions in mind, investors can get a good idea about a company's corporate governance.

Financial and Information Transparency

This aspect of governance relates to the quality and timeliness of a company's financial disclosures and operational happenings. Sufficient transparency implies that a company's financial releases are written in a manner that stakeholders can follow what management is doing and therefore have a clear understanding of the company's current financial situation.

Stakeholder Rights

This aspect of corporate governance examines the extent that a company's policies are benefiting stakeholder interests, notably shareholder interests. Ultimately, as owners of the company, shareholders should have some access to the board of directors if they have concerns or want something addressed. Therefore companies with good governance give shareholders a certain amount of ownership voting rights to call meetings to discuss pressing issues with the board. Another relevant area for good governance, in terms of ownership rights, is whether or not a company possesses large amounts of takeover defenses (such as the Macaroni Defense or the Poison Pill) or other measures that make it difficult for changes in management, directors and ownership to occur.

Structure of the Board of Directors

The board of directors is composed of representatives from the company and representatives from outside of the company. The combination of inside and outside director's attempts to provide an independent assessment of management's performance, making sure that the interests of shareholders are represented.

The key word when looking at the board of directors is independence. The board of directors is responsible for protecting shareholder interests and ensuring that the upper management of the company is doing the same. The board possesses the right to hire and fire members of the board on behalf of the shareholders. A board filled with insiders will often not serve as objective critics of management and will defend their actions as good and beneficial, regardless of the circumstances.

Information on the board of directors of a publicly traded company (such as biographies of individual board members and compensation-related info) can be found in the DEF 14A proxy statement.

We've now gone over the business model, management and corporate governance. These three areas are all important to consider when analyzing any company. We will now move on to looking at qualitative factors in the environment in which the company operates.

Fundamental Analysis: Qualitative Factors - The Industry

Each industry has differences in terms of its customer base, market share among firms, industry-wide growth, competition, regulation and business cycles. Learning about how the industry works will give an investor a deeper understanding of a company's financial health.

Customers

Some companies serve only a handful of customers, while others serve millions. In general, it's a red flag (a negative) if a business relies on a small number of customers for a large portion of its sales because the loss of each customer could dramatically affect revenues. For example, think of a military supplier who has 100% of its sales with the U.S government. One change in government policy could potentially wipe out all of its sales. For this reason, companies will always disclose in their 10-K if any one customer accounts for a majority of revenues.

Market Share

Understanding a company's present market share can tell volumes about the company's business. The fact that a company possesses an 85% market share tells you that it is the largest player in its market by far. Furthermore, this could also suggest that the company possesses some sort of "economic moat," in other words, a competitive barrier serving to protect its current and future earnings, along with its market share. Market share is important because of economies of scale. When the firm is bigger than the rest of its rivals, it is in a better position to absorb the high fixed costs of a capital-intensive industry.

Industry Growth

One way of examining a company's growth potential is to first examine whether the amount of customers in the overall market will grow. This is crucial because without new customers, a company has to steal market share in order to grow.

In some markets, there is zero or negative growth, a factor demanding careful consideration. For example, a manufacturing company dedicated solely to creating audio compact cassettes might have been very successful in the '70s, '80s and early '90s. However, that same company would probably have a rough time now due to the advent of newer technologies, such as CDs and MP3s. The current market for audio compact cassettes is only a fraction of what it was during the peak of its popularity.

Competition

Simply looking at the number of competitors goes a long way in understanding the competitive landscape for a company. Industries that have limited barriers to entry and a large number of competing firms create a difficult operating environment for firms.

One of the biggest risks within a highly competitive industry is pricing power. This refers to the ability of a supplier to increase prices and pass those costs on to customers. Companies operating in industries with few alternatives have the ability to pass on costs to their customers. A great example of this is Wal-Mart. They are so dominant in the retailing business, that Wal-Mart practically sets the price for any of the suppliers wanting to do business with them. If you want to sell to Wal-Mart, you have little, if any, pricing power.

Regulation

Certain industries are heavily regulated due to the importance or severity of the industry's products and/or services. As important as some of these regulations are to the public, they can drastically affect the attractiveness of a company for investment purposes.

In industries where one or two companies represent the entire industry for a region (such as utility companies), governments usually specify how much profit each company can make. In these instances, while there is the potential for sizable profits, they are limited due to regulation.

In other industries, regulation can play a less direct role in affecting industry pricing. For example, the drug industry is one of most regulated industries. And for good reason - no one wants an ineffective drug that causes deaths to reach the market. As a result, the U.S. Food and Drug Administration (FDA) require that new drugs must pass a series of clinical trials before they can be sold and distributed to the general public. However, the consequence of all this testing is that it usually takes several years and millions of dollars before a drug is approved. Keep in mind that all these costs are above and beyond the millions that the drug company has spent on research and development.

All in all, investors should always be on the lookout for regulations that could potentially have a material impact upon a business' bottom line. Investors should keep these regulatory costs in mind as they assess the potential risks and rewards of investing.

Fundamental Analysis: Introduction to Financial Statements

The massive amount of numbers in a company's financial statements can be bewildering and intimidating to many investors. On the other hand, if you know how to analyze them, the financial statements are a gold mine of information.

Financial statements are the medium by which a company discloses information concerning its financial performance. Followers of fundamental analysis use the quantitative information gleaned from financial statements to make investment decisions. Before we jump into the specifics of the three most important financial statements - income statements, balance sheets and cash flow statements - we will briefly introduce each financial statement's specific function, along with where they can be found.

The Major Statements

1. The Balance Sheet

The balance sheet represents a record of a company's assets, liabilities and equity at a particular point in time. The balance sheet is named by the fact that a business's financial structure balances in the following manner:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

Assets represent the resources that the business owns or controls at a given point in time. This includes items such as cash, inventory, machinery and buildings. The other side of the equation represents the total value of the financing the company has used to acquire those assets. Financing comes as a result of liabilities or equity. Liabilities represent debt (which of course must be paid back), while equity represents the total value of money that the owners have contributed to the business - including retained earnings, which is the profit made in previous years.

2. The Income Statement

While the balance sheet takes a snapshot approach in examining a business, the income statement measures a company's performance over a specific time frame. Technically, you could have a balance sheet for a month or even a day, but you'll only see public companies report quarterly and annually.

3. Statement of Cash Flows

The statement of cash flows represents a record of a business' cash inflows and outflows over a period of time. Typically, a statement of cash flows focuses on the following cash-related activities:

- Operating Cash Flow (OCF): Cash generated from day-to-day business operations
- Cash from investing (CFI): Cash used for investing in assets, as well as the proceeds from the sale of other businesses, equipment or long-term assets
- Cash from financing (CFF): Cash paid or received from the issuing and borrowing of funds

The cash flow statement is important because it's very difficult for a business to manipulate its cash situation. There is plenty that aggressive accountants can do to manipulate earnings, but it's tough to fake cash in the bank. For this reason some investors use the cash flow statement as a more conservative measure of a company's performance.

10-K and 10-Q

Now that you have an understanding of what the three financial statements represent, let's discuss where an investor can go about finding them. In India, the Securities and Exchange board of India (SEBI) requires all companies that are publicly traded on a major exchange to submit periodic filings detailing their financial activities, including the financial statements mentioned above.

Some other pieces of information that are also required are an auditor's report, management discussion and analysis (MD&A) and a relatively detailed description of the company's operations and prospects for the upcoming year.

All of this information can be found in the business' annual 10-K and quarterly 10-Q filings, which are released by the company's management and can be found on the internet or in physical form.

The 10-K is an annual filing that discloses a business's performance over the course of the fiscal year. In addition to finding a business's financial statements for the most recent year, investors also have access to the business's historical financial measures, along with information detailing the operations of the business. This includes a lot of information, such as the number of employees, biographies of upper management, risks, future plans for growth, etc.

Businesses also release an annual report, which some people also refer to as the 10-K. The annual report is essentially the 10-K released in a fancier marketing format. It will include much of the same information, but not all, that you can find in the 10-K. The 10-K really is boring - it's just pages and pages of numbers, text and legalese. But just because it's boring doesn't mean it isn't useful. There is a lot of good information in a 10-K, and it's required reading for any serious investor.

You can think of the 10-Q filing as a smaller version of a 10-K. It reports the company's performance after each fiscal quarter. Each year three 10-Q filings are released - one for each of the first three quarters. (Note: There is no 10-Q for the fourth quarter, because the 10-K filing is released during that time). Unlike the 10-K filing, 10-Q filings are not required to be audited. Here's a tip if you have trouble remembering which is which: think "Q" for quarter.

Fundamental Analysis: Other Important Sections Found in Financial Filings

The financial statements are not the only parts found in a business's annual and quarterly SEC filings. Here are some other noteworthy sections:

Management Discussion and Analysis (MD&A)

As a preface to the financial statements, a company's management will typically spend a few pages talking about the recent year (or quarter) and provide background on the company. This is referred to as the management discussion and analysis (MD&A). In addition to providing investors a clearer picture of what the company does, the MD&A also points out some key areas in which the company has performed well.

Don't expect the letter from management to delve into all the juicy details affecting the company's performance. The management's analysis is at their discretion, so understand they probably aren't going to be disclosing any negatives.

The Auditor's Report

The auditors' job is to express an opinion on whether the financial statements are reasonably accurate and provide adequate disclosure. This is the purpose behind the auditor's report, which is sometimes called the "report of independent accountants".

By law, every public company that trades stocks or bonds on an exchange must have its annual reports audited by a certified public accountants firm. An auditor's report is meant to scrutinize the company and identify anything that might undermine the integrity of the financial statements.

The Notes to the Financial Statements

Just as the MD&A serves an introduction to the financial statements, the notes to the financial statements (sometimes called footnotes) tie up any loose ends and complete the overall picture. If the income statement, balance sheet and statement of cash flows are the heart of the financial statements, then the footnotes are the arteries that keep everything connected. Therefore, if you aren't reading the footnotes, you're missing out on a lot of information.

The footnotes list important information that could not be included in the actual ledgers. For example, they list relevant things like outstanding leases, the maturity dates of outstanding debt and details on compensation plans, such as stock options, etc.

Generally speaking there are two types of footnotes:

Accounting Methods - This type of footnote identifies and explains the major accounting policies of the business that the company feels that you should be aware of. This is especially important if a company has changed accounting policies. It may be that a firm is practicing "cookie jar accounting" and is changing policies only to take advantage of current conditions in order to hide poor performance.

Disclosure - The second type of footnote provides additional disclosure that simply could not be put in the financial statements. The financial statements in an annual report are supposed to be clean and easy to follow. To maintain this cleanliness, other calculations are left for the footnotes. For example, details of long-term debt - such as maturity dates and the interest rates at which debt was issued - can give you a better idea of how borrowing costs are laid out. Other areas of disclosure include everything from pension plan liabilities for existing employees to details about ominous legal proceedings involving the company.

The majority of investors and analysts read the balance sheet, income statement and cash flow statement but, for whatever reason, the footnotes are often ignored. What sets informed investors apart is digging deeper and looking for information that others typically wouldn't. No matter how boring it might be, read the fine print - it will make you a better investor.

Fundamental Analysis: The Income Statement

The income statement is basically the first financial statement you will come across in an annual report

It also contains the numbers most often discussed when a company announces its results-numbers such as revenue, earnings and earnings per share. Basically, the income statement shows how much money the company generated (revenue), how much it spent (expenses) and the difference between the two (profit) over a certain time period.

When it comes to analyzing fundamentals, the income statement lets investors know how well the company's business is performing - or, basically, whether or not the company is making money. Generally speaking, companies ought to be able to bring in more money than they spend or they don't stay in business for long. Those companies with low expenses relative to revenue - or high profits relative to revenue - signal strong fundamentals to investors.

Revenue as an investor signal

Revenue, also commonly known as sales, is generally the most straightforward part of the income statement. Often, there is just a single number that represents all the money a company brought in during a specific time period, although big companies sometimes break down revenue by business segment or geography.

The best way for a company to improve profitability is by increasing sales revenue. For instance, Starbucks Coffee has aggressive long-term sales growth goals that include a distribution system of 20,000 stores worldwide. Consistent sales growth has been a strong driver of Starbucks' profitability.

The best revenue are those that continue year in and year out. Temporary increases, such as those that might result from a short-term promotion, are less valuable and should garner a lower price-to-earnings multiple for a company.

What are the Expenses?

There are many kinds of expenses, but the two most common are the cost of goods sold (COGS) and selling, general and administrative expenses (SG&A). Cost of goods sold is the

expense most directly involved in creating revenue. It represents the costs of producing or purchasing the goods or services sold by the company. For example, if Wal-Mart pays a supplier \$4 for a box of soap, which it sells to customers for \$5. When it is sold, Wal-Mart's cost of goods sold for the box of soap would be \$4.

Next, costs involved in operating the business are SG&A. This category includes marketing, salaries, utility bills, technology expenses and other general costs associated with running a business. SG&A also includes depreciation and amortization. Companies must include the cost of replacing worn out assets. Remember, some corporate expenses, such as research and development (R&D) at technology companies, are crucial to future growth and should not be cut, even though doing so may make for a better-looking earnings report. Finally, there are financial costs, notably taxes and interest payments, which need to be considered.

Profits = Revenue - Expenses

Profit, most simply put, is equal to total revenue minus total expenses. However, there are several commonly used profit subcategories that tell investors how the company is performing. Gross profit is calculated as revenue minus cost of sales. Returning to Wal-Mart again, the gross profit from the sale of the soap would have been \$1 (\$5 sales price less \$4 cost of goods sold = \$1 gross profit).

Companies with high gross margins will have a lot of money left over to spend on other business operations, such as R&D or marketing. So be on the lookout for downward trends in the gross margin rate over time. This is a telltale sign of future problems facing the bottom line. When cost of goods sold rises rapidly, they are likely to lower gross profit margins - unless, of course, the company can pass these costs onto customers in the form of higher prices.

Operating profit is equal to revenues minus the cost of sales and SG&A. This number represents the profit a company made from its actual operations, and excludes certain expenses and revenues that may not be related to its central operations. High operating margins can mean the company has effective control of costs, or that sales are increasing faster than operating costs. Operating profit also gives investors an opportunity to do profit-margin comparisons between companies that do not issue a separate disclosure of their cost of goods sold figures (which are needed to do gross margin analysis). Operating profit

measures how much cash the business throws off, and some consider it a more reliable measure of profitability since it is harder to manipulate with accounting tricks than net earnings.

Net income generally represents the company's profit after all expenses, including financial expenses, have been paid. This number is often called the "bottom line" and is generally the figure people refer to when they use the word "profit" or "earnings".

When a company has a high profit margin, it usually means that it also has one or more advantages over its competition. Companies with high net profit margins have a bigger cushion to protect themselves during the hard times. Companies with low profit margins can get wiped out in a downturn. And companies with profit margins reflecting a competitive advantage are able to improve their market share during the hard times - leaving them even better positioned when things improve again.

Conclusion

You can gain valuable insights about a company by examining its income statement. Increasing sales offers the first sign of strong fundamentals. Rising margins indicate increasing efficiency and profitability. It's also a good idea to determine whether the company is performing in line with industry peers and competitors. Look for significant changes in revenues, costs of goods sold and SG&A to get a sense of the company's profit fundamentals.

Fundamental Analysis: The Balance Sheet

Investors often overlook the balance sheet. Assets and liabilities aren't nearly as sexy as revenue and earnings. While earnings are important, they don't tell the whole story. The balance sheet highlights the financial condition of a company and is an integral part of the financial statements.

The Snapshot of Health

The balance sheet, also known as the statement of financial condition, offers a snapshot of a company's health. It tells you how much a company owns (its assets), and how much it owes (its liabilities). The difference between what it owns and what it owes is its equity, also commonly called "net assets" or "shareholders equity".

The balance sheet tells investors a lot about a company's fundamentals: how much debt the company has, how much it needs to collect from customers (and how fast it does so), how much cash and equivalents it possesses and what kinds of funds the company has generated over time.

The Balance Sheet's Main Three

Assets, liability and equity are the three main components of the balance sheet. Carefully analyzed, they can tell investors a lot about a company's fundamentals.

Assets

There are two main types of assets: current assets and non-current assets. Current assets are likely to be used up or converted into cash within one business cycle - usually treated as twelve months. Three very important current asset items found on the balance sheet are: cash, inventories and accounts receivables.

Investors normally are attracted to companies with plenty of cash on their balance sheets. After all, cash offers protection against tough times, and it also gives companies more options for future growth. Growing cash reserves often signal strong company performance. Indeed, it shows that cash is accumulating so quickly that management doesn't have time to figure out how to make use of it. A dwindling cash pile could be a sign of trouble. That said, if loads of cash are more or less a permanent feature of the company's balance sheet, investors need to ask why the money is not being put to use. Cash could be there because management has run out of investment opportunities or is too short-sighted to know what to do with the money.

Inventories are finished products that haven't yet sold. As an investor, you want to know if a company has too much money tied up in its inventory. Companies have limited funds available to invest in inventory. To generate the cash to pay bills and return a profit, they must sell the merchandise they have purchased from suppliers. Inventory turnover (cost of goods sold divided by average inventory) measures how quickly the company is moving merchandise through the warehouse to customers. If inventory grows faster than sales, it is almost always a sign of deteriorating fundamentals.

Receivables are outstanding (uncollected bills). Analyzing the speed at which a company collects what it's owed can tell you a lot about its financial efficiency. If a company's collection period is growing longer, it could mean problems ahead. The company may be letting customers stretch their credit in order to recognize greater top-line sales and that can spell trouble later on, especially if customers face a cash crunch. Getting money right away is preferable to waiting for it - since some of what is owed may never get paid. The quicker a company gets its customers to make payments, the sooner it has cash to pay for salaries, merchandise, equipment, loans, and best of all, dividends and growth opportunities.

Non-current assets are defined as anything not classified as a current asset. This includes items that are fixed assets, such as property, plant and equipment (PP&E). Unless the company is in financial distress and is liquidating assets, investors need not pay too much attention to fixed assets. Since companies are often unable to sell their fixed assets within any reasonable amount of time they are carried on the balance sheet at cost regardless of their actual value. As a result, it's possible for companies to grossly inflate this number, leaving investors with questionable and hard-to-compare asset figures.

Liabilities

There are current liabilities and non-current liabilities. Current liabilities are obligations the firm must pay within a year, such as payments owing to suppliers. Non-current liabilities, meanwhile, represent what the company owes in a year or more time. Typically, non-current liabilities represent bank and bondholder debt.

You usually want to see a manageable amount of debt. When debt levels are falling, that's a good sign. Generally speaking, if a company has more assets than liabilities, then it is in decent condition. By contrast, a company with a large amount of liabilities relative to assets ought to be examined with more diligence. Having too much debt relative to cash flows required to pay for interest and debt repayments is one way a company can go bankrupt.

Look at the quick ratio. Subtract inventory from current assets and then divide by current liabilities. If the ratio is 1 or higher, it says that the company has enough cash and liquid assets to cover its short-term debt obligations.

Quick Ratio = $\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$

Current Liabilities

Equity

Equity represents what shareholders own, so it is often called shareholder's equity. As described above, equity is equal to total assets minus total liabilities.

Equity = Total Assets – Total Liabilities

The two important equity items are paid-in capital and retained earnings. Paid-in capital is the amount of money shareholders paid for their shares when the stock was first offered to the public. It basically represents how much money the firm received when it sold its shares. In other words, retained earnings are a tally of the money the company has chosen to reinvest in the business rather than pay to shareholders. Investors should look closely at how a company puts retained capital to use and how a company generates a return on it.

Most of the information about debt can be found on the balance sheet - but some assets and debt obligations are not disclosed there. For starters, companies often possess hard-to-measure intangible assets. Corporate intellectual property (items such as patents, trademarks, copyrights and business methodologies), goodwill and brand recognition are all common assets in today's marketplace. But they are not listed on company's balance sheets.

There is also off-balance sheet debt to be aware of. This is form of financing in which large capital expenditures are kept off of a company's balance sheet through various classification methods. Companies will often use off-balance-sheet financing to keep the debt levels low. (To continue reading about the balance sheet, see Reading The Balance Sheet, Testing Balance Sheet Strength and Breaking Down The Balance Sheet.)

Fundamental Analysis: The Cash Flow Statement

The cash flow statement shows how much cash comes in and goes out of the company over the quarter or the year. At first glance, that sounds a lot like the income statement in that it records financial performance over a specified period. But there is a big difference between the two.

What distinguishes the two is accrual accounting, which is found on the income statement. Accrual accounting requires companies to record revenues and expenses when transactions occur, not when cash is exchanged. At the same time, the income statement, on the other hand, often includes non-cash revenues or expenses, which the statement of cash flows does not include.

Just because the income statement shows net income of \$10 does not mean that cash on the balance sheet will increase by \$10. Whereas when the bottom of the cash flow statement reads \$10 net cash inflow, that's exactly what it means. The company has \$10 more in cash than at the end of the last financial period. You may want to think of net cash from operations as the company's "true" cash profit.

Because it shows how much actual cash a company has generated, the statement of cash flows is critical to understanding a company's fundamentals. It shows how the company is able to pay for its operations and future growth.

Indeed, one of the most important features you should look for in a potential investment is the company's ability to produce cash. Just because a company shows a profit on the income statement doesn't mean it cannot get into trouble later because of insufficient cash flows. A close examination of the cash flow statement can give investors a better sense of how the company will fare.

Three Sections of the Cash Flow Statement

Companies produce and consume cash in different ways, so the cash flow statement is divided into three sections: cash flows from operations, financing and investing. Basically, the sections on operations and financing show how the company gets its cash, while the investing section shows how the company spends its cash. (To continue learning about cash flow, see [The Essentials Of Cash Flow](#), [Operating Cash Flow: Better Than Net Income?](#) and [What Is A Cash Flow Statement?](#))

1. Cash Flows from Operating Activities

This section shows how much cash comes from sales of the company's goods and services, less the amount of cash needed to make and sell those goods and services. Investors tend to prefer companies that produce a net positive cash flow from operating activities. High growth

companies, such as technology firms, tend to show negative cash flow from operations in their formative years. At the same time, changes in cash flow from operations typically offer a preview of changes in net future income. Normally it's a good sign when it goes up. Watch out for a widening gap between a company's reported earnings and its cash flow from operating activities. If net income is much higher than cash flow, the company may be speeding or slowing its booking of income or costs.

2. Cash Flows from Investing Activities

This section largely reflects the amount of cash the company has spent on capital expenditures, such as new equipment or anything else that needed to keep the business going. It also includes acquisitions of other businesses and monetary investments such as money market funds.

You want to see a company re-invest capital in its business by at least the rate of depreciation expenses each year. If it doesn't re-invest, it might show artificially high cash inflows in the current year which may not be sustainable.

3. Cash Flow From Financing Activities

This section describes the goings-on of cash associated with outside financing activities. Typical sources of cash inflow would be cash raised by selling stock and bonds or by bank borrowings. Likewise, paying back a bank loan would show up as a use of cash flow, as would dividend payments and common stock repurchases.

Cash Flow Statement Considerations:

Savvy investors are attracted to companies that produce plenty of free cash flow (FCF). Free cash flow signals a company's ability to pay debt, pay dividends, buy back stock and facilitate the growth of business. Free cash flow, which is essentially the excess cash produced by the company, can be returned to shareholders or invested in new growth opportunities without hurting the existing operations.

Fundamental Analysis: A Brief Introduction to Valuation

While the concept behind discounted cash flow analysis is simple, its practical application can be a different matter. The premise of the discounted cash flow method is that the current

value of a company is simply the present value of its future cash flows that are attributable to shareholders. Its calculation is as follows:

For simplicity's sake, if we know that a company will generate \$1 per share in cash flow for shareholders every year into the future; we can calculate what this type of cash flow is worth today. This value is then compared to the current value of the company to determine whether the company is a good investment, based on it being undervalued or overvalued.

There are several different techniques within the discounted cash flow realm of valuation, essentially differing on what type of cash flow is used in the analysis. The dividend discount model focuses on the dividends the company pays to shareholders, while the cash flow model looks at the cash that can be paid to shareholders after all expenses, reinvestments and debt repayments have been made. But conceptually they are the same, as it is the present value of these streams that are taken into consideration.

As we mentioned before, the difficulty lies in the implementation of the model as there are a considerable amount of estimates and assumptions that go into the model. As you can imagine, forecasting the revenue and expenses for a firm five or 10 years into the future can be considerably difficult. Nevertheless, DCF is a valuable tool used by both analysts and everyday investors to estimate a company's value.

Ratio Valuation

Financial ratios are mathematical calculations using figures mainly from the financial statements, and they are used to gain an idea of a company's valuation and financial performance. Some of the most well-known valuation ratios are price-to-earnings and price-to-book. Each valuation ratio uses different measures in its calculations. For example, price-to-book compares the price per share to the company's book value.

The calculations produced by the valuation ratios are used to gain some understanding of the company's value. The ratios are compared on an absolute basis, in which there are threshold values. For example, in price-to-book, companies trading below '1' are considered undervalued. Valuation ratios are also compared to the historical values of the ratio for the company, along with comparisons to competitors and the overall market itself.

Fundamental Analysis: Conclusion

Whenever you're thinking of investing in a company it is vital that you understand what it does, its market and the industry in which it operates. You should never blindly invest in a company.

One of the most important areas for any investor to look at when researching a company is the financial statements. It is essential to understand the purpose of each part of these statements and how to interpret them.

Summary of what we discussed:

- Financial reports are required by law and are published both quarterly and annually.
- Management discussion and analysis (MD&A) gives investors a better understanding of what the company does and usually points out some key areas where it performed well.
- Audited financial reports have much more credibility than unaudited ones.
- The balance sheet lists the assets, liabilities and shareholders' equity.
- For all balance sheets: $\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$. The two sides must always equal each other (or balance each other).
- The income statement includes figures such as revenue, expenses, earnings and earnings per share.
- For a company, the top line is revenue while the bottom line is net income.
- The income statement takes into account some non-cash items, such as depreciation.
- The cash flow statement strips away all non-cash items and tells you how much actual money the company generated.
- The cash flow statement is divided into three parts: cash from operations, financing and investing.
- Always read the notes to the financial statements. They provide more in-depth information on a wide range of figures reported in the three financial statements.

Fundamental Analysis Tools: These are the most popular tools of fundamental analysis. They focus on earnings, growth, and value in the market.

1. Earnings per Share – EPS

A Study On Fundamental Analysis

2. Price to Earnings Ratio – P/E
3. Projected Earnings Growth – PEG
4. Price to Sales – P/S
5. Price to Book – P/B
6. Dividend Payout Ratio
7. Dividend Yield
8. Book Value
9. Return on Equity

RESEARCH DESIGN

DEFINITION:

A detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected.

TITLE:

“A STUDY ON FUNDAMENTAL ANALYSIS WITH RESPECT TO MOTILAL OSWAL”

STATEMENT OF PROBLEM:

The study is undertaken for understanding how fundamental analysis is done and the various tools which are used for fundamental analysis. Forecasting with the help of those tools. This study aims to exploration of the topic “FUNDAMENTAL ANALYSIS”.

OBJECTIVES:

- To do technical and fundamental analysis of chosen securities
- To study the various theories of fundamental analysis
- Understand the performance of stocks of TCS
- Understanding and analyzing the factors that affect the movement of stock prices in the Indian Stock Markets

SCOPE:

- Knowing the company's revenue growth.
- Understanding the company's position to beat out its competitors in future.
- Its ability to repay its debts.
- Whether the company is a good investment and making good profits.

LIMITATIONS:

- The study was confined only to one particular sector.
- The study was more confined with secondary data.
- The study assumes no changes in the tax rates in the country.

- The study was done for a short period of time, which might not hold true over a long period of time.
- As the scope is defined by the researcher it restricts the number of variables which Influence the industry

METHODOLOGY OF STUDY:

TITLE OF STUDY

The research has been based on secondary data analysis. The study has been exploratory as it aims at examining the secondary data for analyzing the previous researches that have been done in the area of technical and fundamental analysis of stocks. The knowledge thus gained from this preliminary study forms the basis for the further detailed Descriptive research. In the exploratory study, the various technical indicators that are important for analyzing stock were actually identified and important ones short listed.

SAMPLE DESIGN

The sample of the stocks for the purpose of collecting secondary data has been selected on the basis of Random Sampling. The stocks are chosen in an unbiased manner and each stock is chosen independent of the other stocks chosen.

SAMPLE SIZE

The sample size for the number of stocks is taken as 10 for technical analysis and 4 for fundamental analysis of stocks as fundamental analysis is very exhaustive and requires detailed study.

COMPANY PROFILE

INCEPTION

Motilal Oswal Securities Ltd. (MOSL) was founded in 1987 as a small sub-broking unit, with just two people running the show. Focus on customer-first attitude, ethical and transparent business practices, respect for professionalism, research-based value investing and implementation of cutting-edge technology have enabled us to blossom into an over 1500 member team.

Today we are a well-diversified financial services firm offering a range of financial products and services such as Private Wealth Management, Retail Broking and Distribution, Institutional Broking, Asset Management, Investment Banking, Private Equity, Commodity Broking, Currency Broking and Principal Strategies.

We have a diversified client base that includes retail customers (including High Net worth Individuals), mutual funds, foreign institutional investors, financial institutions and corporate clients. We are headquartered in Mumbai and as of December 31, 2013, had a network spread over 519 cities and towns comprising 1546 Business Locations operated by our Business Partners and us. As on December 31st, 2013, we had 792,858 registered customers.

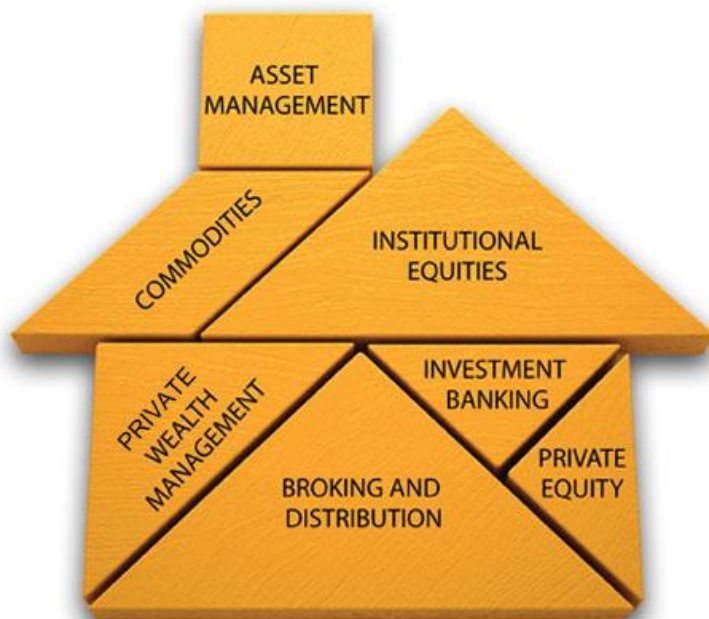
Research is the solid foundation on which Motilal Oswal Securities' advice is based. Almost 10% of revenue is invested on equity research and we hire and train the best resources to become our advisors. At present we have an expert team of Research Analysts researching 25+ sectors and commodities. From a fundamental, technical and derivatives research perspective, Motilal Oswal's research reports have received wide coverage in the media. Our consistent efforts towards quality equity research have reflected in an increase in the ratings and rankings across various categories in the Asia Money Brokers Poll over the years.

Our unique Wealth Creation Study, authored by Mr. Raamdeo Agrawal, Joint Managing Director, is now in its 17th year. Investors keenly await this annual study for the wealth of information it has on the companies that created wealth during the preceding five years.

CORE PURPOSE AND VALUES:



BUSINESSES:



Products & Services

With an array of products and services to choose from, we have everything you need to cater to your financial and wealth management needs.



Equity & Derivatives

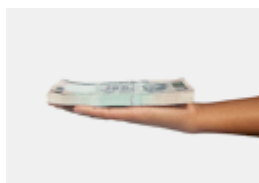
Power your investment decisions with knowledge and insight rather than mere speculation. Get access to our advice and analytics backed by thorough market research, make use of our cutting-edge integrated trading platform to invest in Equities, IPOs, F&O, mutual funds and stock SIPs. Use My Motilal Oswal to track and manage your investments.



Private Management

We help you achieve the key objectives of wealth management - growth, preservation and transmission of wealth, by balancing three critical factors: Your Individuality, the financial environment and the Advisory Solutions that you can choose from.

Wealth Management



Loan Against Shares

Looking to liquidate your securities to raise funds? Here's a better way to fund your interim capital needs. Use MOFSL's Loan Against Shares facility to unlock your share's liquidity potential without having to sell them. You can now raise funds and at the same time enjoy all the corporate benefits accrued on your securities.



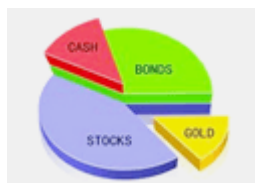
Investment Banking

Avail of a host of facilities in the investment banking space including raising public issues in the domestic and international capital markets, private equity syndication, structured finance syndication, mergers and acquisition advisory as well as financial restructuring advisory. Know how we aspire to be a globally respected investment banking entity by providing our clientele everything they need to build, create and develop their business.



Commodities

Trade in commodities with India's leading commodity trading



Portfolio Management Services

Portfolio management

company. Motilal Oswal Commodities Broker Pvt Ltd. (MOCBPL), our wholly owned subsidiary, offers commodity trading facilities and related products and services on all major commodity exchanges such as the MCX, NCDEX, and NSEL. With over 20,000 registered customers serviced through 700 sub brokers, get to choose from a range of product offerings including commodities broking services, hedging solutions, and arbitrage strategies.

service provides professional management of your investments to create wealth. Investment solutions provided by PMS cater to Individuals or Institutions entities with high net worth.



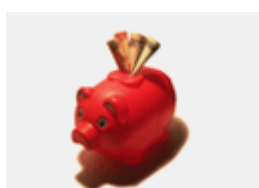
Insurance

There's a lot more to insurance than merely saving tax. Know how insurance can literally be a life saver and used as tool to optimize your risk cover, retirement planning, wealth creation and much more.



Mutual Fund

Right from India's first fundamentally weighted ETF to the country's first US Equity ETF or even the first Gold ETF that allows investors to convert ETF units to physical gold, know about Motilal Oswal Asset Management Company's revolutionary product offerings.



Depository Services

With over 150,000 account holders and cumulative holdings of over Rs. 3400 crores, Motilal Oswal Depository Services (MODES) is the second biggest depository participant in CDSL in terms of the number of accounts. Know how MODES can help you trade and invest smartly in the equity markets.



Private Equity

Spotting tomorrow's opportunities today. Motilal Oswal Private Equity (MOPE) unlocks the power of potential by seeking out high value opportunities that deliver extraordinary results in the future. Find out how a combination of knowledge and entrepreneurial instincts can uncover hidden investment opportunities.



Currencies

Get experts to formulate tailor-made hedging strategies for you & your business. Engage with our currencies team on a day to day basis to pre-emptively manage risks from currency fluctuations. Make use of our one-stop-shop solution to take care of all your currency management needs.

BOARD OF DIRECTORS

CMD & CEO	Motilal Oswal
Joint Managing Director	Raamdeo Agrawal
Director	Navin.Agarwal Balkumar.Agarwal Vivek Paranjpe
Company Secretary	Samrat Sanyal
Director	Praveen Tripathi

SHARE HOLDING PATTERN

Category	31 Dec 2013	30 Sep 2013
Promoter & Promoter Group	73.82	73.75
Indian	73.82	73.75
Foreign	0.00	0.00
Public Shareholding	26.18	26.25
Institutions	12.31	11.02
Non-Instituions	13.87	15.23
ADR's/GDR's & Others	0.00	0.00
Total:	100	100

AWARDS

13-Dec-2013

Investment Banking team won M&A Atlas awards held on December 13, 2013 at Grand Hyatt, Mumbai. M&A Boutique Firm of the year. Best Mid-Market deal of the year



13-Sep-2013

Motilal Oswal Securities bagged the Best Performing Equity Broker (National) Award at CNBC TV18 Financial Advisor Awards 2013 held in Mumbai.



24-Jul-2013

Our Analyst Mr. Jinesh Gandhi won the Best Market Analyst Award for the categories Equity-Auto at 'India's Best Market Analyst Awards 2013' organized by Zee Business on July 24, 2013.



5-Dec-2013 Motilal Oswal Institutional Equities ranked as Best Domestic Brokerage for Events, Conferences, Roadshows & Company Visits in Asia Money Brokers Poll 2013

14-Feb-2013 Motilal Oswal Securities Ltd won 'Quality Excellence Award for Best Customer Service Result' award at the National Quality Excellence Awards 2013 held in Mumbai on 14th February 2013

MotilalOswal Foundation

Our Vision

To provide opportunities for children and their families to move from poverty and dependence to self-reliance. At Motilal Oswal Financial Services Limited our motto is 'Knowledge First' and we believe that education can bring prosperity and equality in the society.

MotilalOswal Foundation

We are committed to giving back to society and have thereby established the Motilal Oswal Foundation in 2012 as a non-profit trust to support our social initiatives. The Foundation is headed by Mrs. SunitaAgrawal and Dr. Pratiksha Oswal. Education and healthcare are the key focus areas of MotilalOswal Foundation.

Volunteering Motilal Oswal Foundation (GyanDaan)

Motilal Oswal Foundation has recently started an associate volunteering program called “GyanDaan” in Mumbai. GyanDaan has initiated a learning program at a school serving children from the underprivileged section of society. The main objectives of the program are enhancing the quality of education at the school, building confidence, developing intellectual curiosity and improving the ability of students to communicate in English. We work with a dedicated set of volunteers from various departments of our company.

LATEST NEWS :

- ❖ MotilalOswal AMC launches paperless online (24X7) investment platform for investors

Mumbai 25-Feb-2014

In an endeavor towards making investment in mutual fund schemes more convenient, MotilalOswal Asset Management Company Limited (MotilalOswal AMC) has introduced a completely paperless and 24X7 online investment platform on www.motilaloswal.com/Asset-Management. With this facility, even first time investor can invest in the schemes of MotilalOswal Mutual Fund but only if he/she is KYC complaint. Now investors can avoid the hassles of paperwork such as filling in long application form, signing the form, visiting the collection centers and waiting to submit the form or couriering the form. Distributors or Advisors can also guide their investors to avail of this online facility once the investments have been planned by them with the investor; logistical hurdles of filling physical forms and delivering them are completely avoided. First time investors can go online, register and purchase units of Schemes of MotilalOswal Mutual Fund within a few easy steps at their leisure using Net Banking facility. These features make investing in the mutual fund schemes of MOAMC products completely hassle-free, convenient and paperless.

DATA ANALYSIS AND INTERPRETATION

ECONOMIC OVERVIEW

1. The Indian economy recovered in the second quarter (Q2) of 2013-14 recording a growth of 4.8 per cent. This follows a growth rate of 4.4 per cent in the first quarter (Q1) of the current financial year the lowest in 16 quarters. Particularly encouraging is the fact that the recovery Q2 is noticed on the face of significant fiscal consolidation by the Government and tighter liquidity conditions to moderate aggregate demand. The economy went through challenging times since the crisis in the Euro area in 2011-12 with a cyclical down turn with growth slowdown, elevated current account deficit, persistent inflation, and the need to restore fiscal policy to a sustainable path. While the Government delivered on the announced fiscal targets in 2012-13, current account deficit (CAD) continued to remain elevated in Q1 of 2013-14 and in tandem with market misperception of an imminence of the rollback of quantitative easing in US, assumed a serious dimension with the sharp depreciation of the rupee.

The Government put in place a series of measures and there has been a significant let-up in the challenges on the trade and balance of payments front, particularly in the Q2 2013-14. Domestic impediments like elevated levels of food and retail inflation, high input costs and pressure on profit margins and infrastructural bottlenecks continued, with the Government addressing them through appropriate calibration of fiscal policy, administrative measures and institutional mechanisms like Cabinet Committee on Investment and track projects.

2. The recovery in growth, although weak, is expected to gather pace in the coming quarters. Broadly summarized, the indications to this effect are a sharp moderation in CAD composed of both a moderation in imports and pickup in exports; a moderation on year-on-year WPI inflation in the first half over that in the previous year; fiscal consolidation that is broadly on track; and accelerated growth in agriculture and a mild recovery in manufacturing. While there are some concerns about renewed price pressure in October 2013 and the services sector, the driver of growth, is still to pick up, there are indications to the effect that these could be reversed going forward. The analyses in various sections of this chapter would provide the analytical basis for the above assessment. With recent improvements in growth of some sectors, better

performance of exports and measures taken by the Government, the year 2013-14 can be expected to end with growth of 5 per cent.

3. The Indian economy weathered the global financial crisis rather well and quickly recovered from the decline in growth rate in 2008-09 to a healthy growth that averaged around 9 per cent annually in 2009-10 and 2010-11. However, this recovery was short-lived and growth rate declined to 6.2 per cent in 2011-12 and 5.0 per cent in 2012-13, on account of both domestic and external factors. Despite some recovery in the growth of agriculture and industry sector, particularly in Q2 of the current financial year, the overall growth of the economy has been a modest 4.6 per cent in the first half of the year. The growth rate of the economy improved from 4.4 per cent in Q1 2013-14 to 4.8 per cent in Q2. Compared to Q1 2013-14, Q2 has evidenced a robust pick-up in the growth of the agricultural sector and a gradual recovery in the industrial sector. The growth in economic services also got strengthened, while the community, social and personal services- sector with substantial public sector presence - exhibited a significant fall in growth, pointing towards efforts at fiscal consolidation. The demand side impetus to growth is gradually gaining momentum with the strengthening of private consumption and investment and with exports making an impressive turnaround in Q2 2013-14. The confluence of these factors has resulted in a growth of 4.6 per cent during the first half (H1) of 2013-14, roughly the same level of 4.7 per cent achieved during the second half (H2) of 2012-13.
4. On the external front, the crisis of 2008, the subsequent sovereign debt crisis and the recession in the Euro-area had moderated the average growth rate of the global economy to less than 3 per cent over the period 2008-2012 as compared to 5 per cent during 2004-2007. Data from IMF indicate that several emerging market economies including China and India quickly rebounded to high growth in the aftermath of the crisis. In fact, in terms of market priced, India's growth exceeded that of China in 2010. Apart from emerging economies, advanced economies also experienced significant recovery in 2010 with both the US and the Euro-area registered distinctly higher growth rates. A series of subsequent events, including the uncertainty surrounding Euro-area sovereign debt crisis, hampered sustained economic recovery in advanced economies with adverse consequences for growth and challenges for macroeconomic management in emerging market economies. With the intensification of the sovereign debt crisis, the decline in real GDP growth rates starting 2011 has

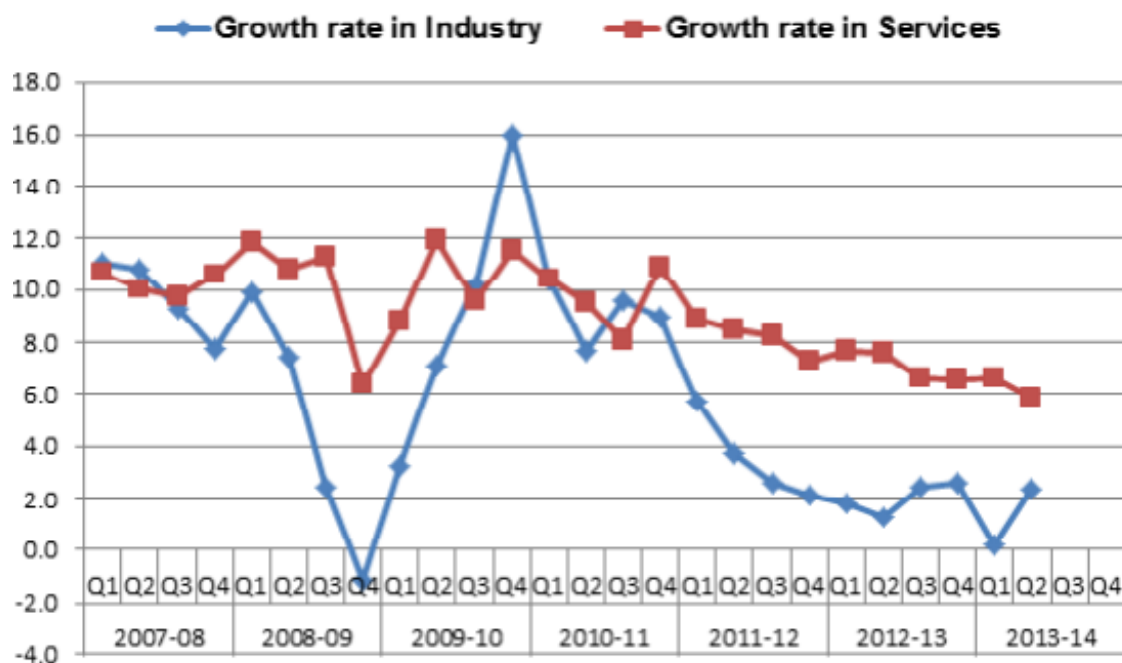
been witnessed across advanced and emerging market economies. Economic growth has again started looking up in advanced economies, especially in the US, alleviating the external constraint on India's recovery to some extent.

5. The slowdown in real GDP growth in India during 2011-12 and 2012-13 is in sync with trends in similar emerging economies. The downturn has been more pronounced in the Indian case, owing to domestic and structural factors. The growth of real GDP has generally shown declining trend since the first quarter of 2011-12. An upward movement in some of the quarters in-between raised the hope for a turnaround that was belied (Figure 1.1, Panel I). Corresponding to this, the industrial sector witnessed a long, steep decline. The service sector also witnessed growth moderation, which has been gradual and less steep than the industrial sector, and its growth remained more or less constant during Q3 2012-13 to Q1 2013-14.

As panel 1 of Figure 1.1 shows, the declining trend in GDP growth has reversed in Q2 2013-14, on the back of higher growth in agriculture and industry vis-à-vis Q1 2013-14.

Table 1.1: Quarterly Growth Rate of GDP (Per cent)									
Sector		2012-13				2013-14		2012-13	2013-14
		Q1	Q2	Q3	Q4	Q1	Q2	H1	H1
1	Agriculture, forestry & fishing	2.9	1.7	1.8	1.4	2.7	4.6	2.3	3.6
2	Industry	1.8	1.3	2.5	2.7	0.2	2.4	1.5	1.3
a	Mining & quarrying	0.4	1.7	-0.7	-3.1	-2.8	-0.4	1.0	-1.6
b	Manufacturing	-1.0	0.1	2.5	2.6	-1.2	1.0	-0.5	-0.1
c	Electricity, gas & water supply	6.2	3.2	4.5	2.8	3.7	7.7	4.7	5.7
d	Construction	7.0	3.1	2.9	4.4	2.8	4.3	5.1	3.5
3	Services	7.7	7.6	6.7	6.6	6.6	5.9	7.7	6.3
a	Trade, hotels, transport & communication	6.1	6.8	6.4	6.2	3.9	4.0	6.4	4.0
b	Financing, insurance, real estate & business services	9.3	8.3	7.8	9.1	8.9	10.0	8.8	9.5
c	Community, social & personal services	8.9	8.4	5.6	4.0	9.4	4.2	8.6	6.6
4	GDP at factor cost	5.4	5.2	4.7	4.8	4.4	4.8	5.3	4.6

Source: Central Statistics Office (CSO)



Indian Economy:

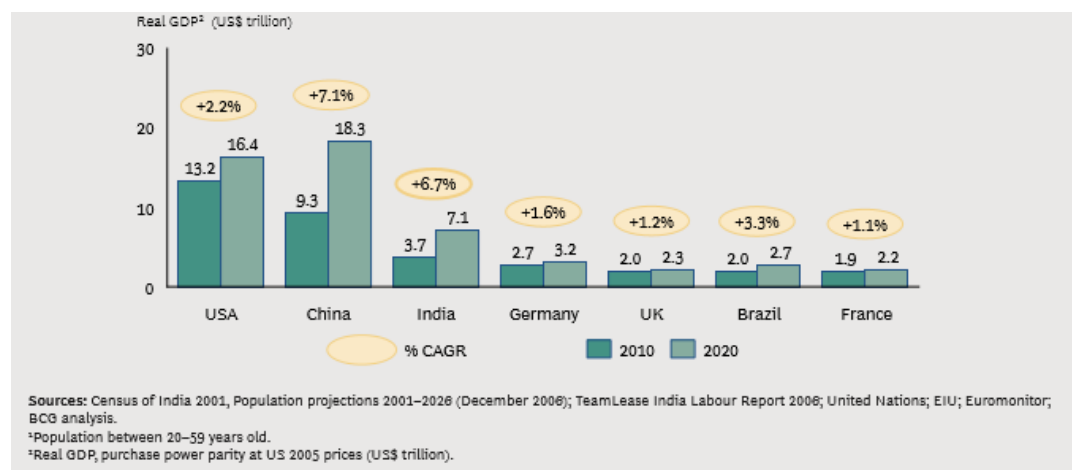
The Growth story the global economy is showing signs of a paradigm shift—with Asia starting to establish itself as the global economic leader. India's growth, along with china, will play a key role in the transition of Asia into a glob– al economic power.

India's growth story is driven by domestic consumption. India is blessed with a unique demographic situation where more than 55 percent of the total population was under the age of 30 years in 2011 (as shown in exhibit 1.1). Rising income levels will lead to the emergence of a new middle class, with a much higher consumption demand, as compared to the past. The Indian middle class as a percentage of the total population is expected to grow from 44 percent in 2010 to 59 percent in 2020.

Rising income levels in India will fuel domestic consumption. India's real GDP (PPP, 2005 prices) is expected to grow at a healthy 6.7 percent during the current decade³.

1991 was an important year for the Indian economy. It was the year when India changed its economic policies which resulted in a long period of sustained growth for India's GDP. More foreign companies started operating in India, several industries were deregulated and the private sector in India gained traction. BCG estimates show that by 2020, more than 75 percent of the total population would have grown up in a liberalized economy (i.e., post 1991 era) ⁴. This segment of the population is more aware and has been exposed to the multitude of product and service offerings in the new liberalized

economy that did not exist before 1991. Their attitudes and behaviors are completely different from those before them. These consumers are willing to spend more for the right product / service, they are comfortable navigating the multitude of choices available to them and they are more aware of what products and services are offered across the world. Companies will need to re-align their business models to meet the expectations of this new India.



Industry overview

An untapped Opportunity a comparison of India's it spends with more developed economies (as shown in exhibit 1.4) shows that the India's overall it spend as a percentage of GDP is less than 1 percent— significantly lower than the global average of 2.5 percent⁷.

As illustrated in exhibit 1.4, more developed economies typically spend more on it and as Indian economy grows, it spending is likely to increase significantly. Greater it spends lead to productivity improvement through process automation, incremental business on electronic medium and real time access to in- formation. The labour productivity in India in 2011 was us\$ 9,310, compared to us\$ 69,900 in UK and us\$ 96,000 in the United States.

EXHIBIT 1.4 | Economic development will go hand in hand with increasing IT penetration in Indian economy

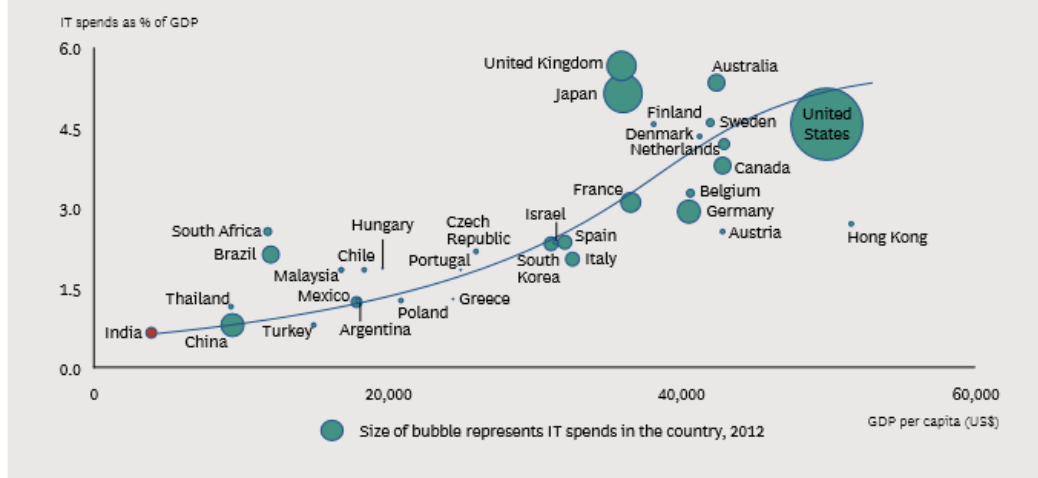
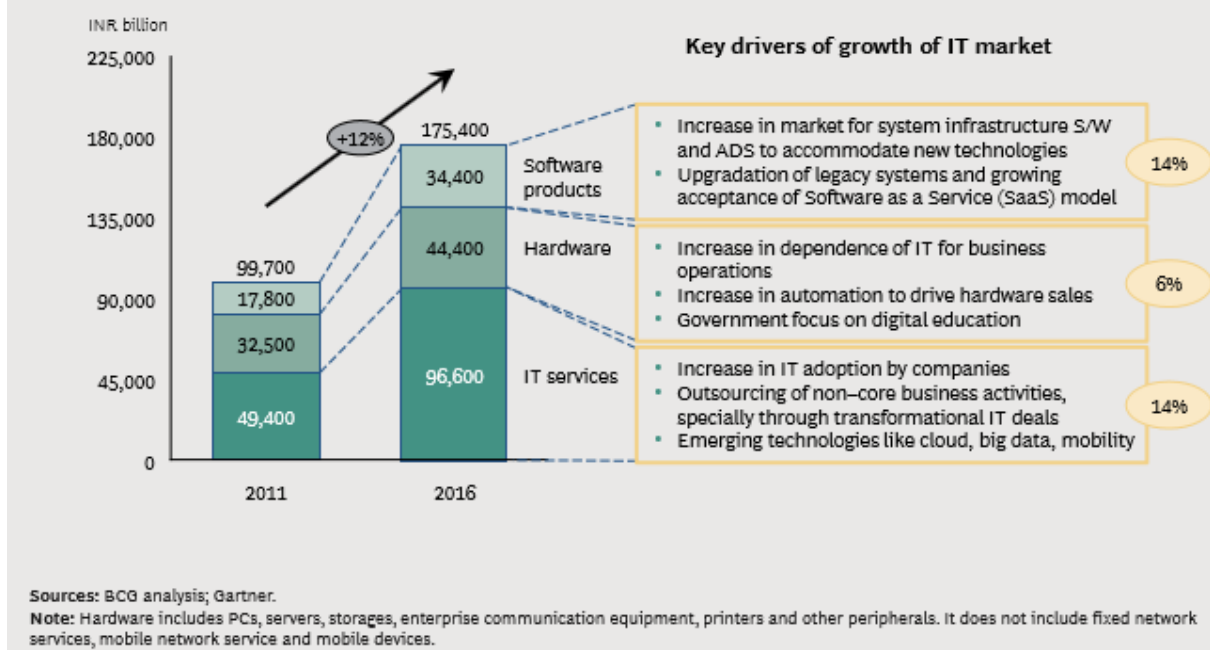


EXHIBIT 1.5 | IT industry in India is expected to grow at 12% with faster growth in IT services and software products



Key Questions on Domestic IT Market:

The Indian IT industry is at an inflection point in its evolution. The end-users will demand continued performance improvements to protect their profitability, new technologies to serve the next billion customers and innovative commercial models to make the offerings viable.

The operating models of it providers will have to evolve to be able to serve the changing needs of the end–users. Because of the inter–linkage between it and the growth of the economy, the end–users and it providers will have to collectively en– sure effective leverage of it in India. The Government will play an important role both as a buyer and a facilitator in enabling it adoption.

Company overview

Tata Consultancy Services Limited (TCS) is an Indian multinational information technology (IT) services, business process and consulting company headquartered in Mumbai, Maharashtra. TCS operates in 46 countries and has 199 branches across the world. It is a subsidiary of the Tata Group and is listed on the Bombay Stock Exchange and the National Stock Exchange of India. TCS is the largest Indian company by market capitalization and is the largest India-based IT services company by 2013 revenues. TCS is ranked 40th overall in the *Forbes* World's Most Innovative Companies ranking, making it both the highest-ranked IT services company and the top Indian company. TCS is a leader in the global marketplace and among the top 10 firms in the world. It has proven its success over the 40 years

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global businesses, ensuring a level of certainty that no other firm can match. TCS offers a consulting-led integrated portfolio of IT and IT-enabled services delivered through its unique Global Network Delivery Model™ (GNDM™), recognized as the benchmark of excellence in software development.

Lineage: TCS is part of the Tata group, one of India’s largest industrial conglomerates and most respected brands.

History: TCS was established in 1968 as a division of Tata Sons Limited. TCS Ltd. got incorporated as a separate entity on January 19, 1995.

Mission:

- To help customers achieve their business objectives by providing innovative, best-in-class consulting, IT solutions and services
- To make it a joy for all stakeholders to work with us.

Values:

- Leading change
- Integrity
- Respect for the individual
- Excellence
- Learning and sharing

Industries Serviced:

- Banking, Financial Services
- Insurance
- Retail and Consumer Packaged Goods
- Telecom
- Media and Information Services
- High Tech

Full Services Portfolio:

- Application Development and Maintenance
- Business Intelligence
- Enterprise Solutions
- Assurance Services
- Engineering and Industrial Services
- IT Infrastructure Services
- Business Process Services
- Consulting
- Asset-leveraged Solutions

PRESS RELEASES:

TCS ranked as the #1 Employer in Europe by Top Employers Institute

London | Mumbai, March 21, 2014: Tata Consultancy Services(BSE: 532540, NSE: TCS), a leading IT services, consulting and business solutions organization, today, announced that it has been named as the Top Employer in Europe by the Top Employers Institute for the second consecutive year. TCS was ranked first among the 20 companies that were eligible for the award. The company was recognized as an exceptional performer across six core Human Resources (HR) areas: Primary conditions, secondary benefits, working conditions, training, career development and company culture.

TCS ranked #1 manufacturing industry IT service provider in Europe

London | Mumbai, February 24, 2014: Tata Consultancy Services (BSE: 532540, NSE: TCS), a leading IT services, consulting and business solutions organization, has been ranked top for overall capabilities in EMEA for manufacturing-specific outsourcing services. The study, conducted by leading analyst firm IDC, praised TCS for its ability to provide holistic support for large and diverse IT initiatives.

The report recognized TCS' proven track record to design and implement systems for some of the region's leading companies. TCS partners with manufacturers from a range of industries to help transform their existing business models and implement technology solutions. These solutions improve operations by reducing operational expenditure, utilizing existing capacity optimally, improving operating efficiencies across the value chain and improving the time-to-market for new product releases. Each solution is tailored to the partner company, ensuring each business can meet its objectives within the usual safety and regulatory parameters.

RESEARCH & DEVELOPMENT (R&D)

Specific areas in which R&D was carried out by the Company

The Company conducts R&D initiatives with the aim of promoting invention as well as innovation. TCS R&D has three research area councils viz., Software, Systems and Application. Researchers in each area are exploring new technology ideas relevant to TCS

customers. (R&D) investment in TCS continues to be along three segments and time horizons:

- **Derivative innovation:** Improving the current offerings to the customers.
- **Disruptive innovation:** Enabling radical changes to the customers' work methods and business models.
- **Platform innovation:** Preparing the customers for the near term future

TCS tools continued to improve quality and efficiency of service delivery. These tools form part of TCS' derivative innovations. This suite of products automate IT service processes such as application design and development, software assurance, application support and maintenance, performance testing and monitoring, test data management, enterprise data management. As for platform innovations, the Company has progressed with the 'Enterprise Information Fusion' platform and has been working on subjects such as currency risk models, robotic surveillance, domain knowledge repositories, machine learning applications, crowd sourcing platforms and building energy management systems. Several pilot projects are being run using the 'Intelligent management Infrastructure System', capable of creating radical changes in infrastructure. The Company is also working on genomics and disease markers, nanofluids, data discovery and human systems. TCS Co-Innovation Network (COINTM) continues to connect cutting edge research and technology research with customers. There are currently 10 academic alliances and 22 emerging technology partners. The Company's research scholar programme now sponsors 111 PhD researchers from 31 institutions across the length and breadth of the country. TCS researchers worked on 450 papers that were presented at national and international conferences and in top tier journals. In the financial year 2012-13, the Company filed 425 patents and 9 patents were granted. On a cumulative basis, out of 1,280 patents filed, 81 have been granted.

Benefits derived

Intellectual assets created by R&D teams were deployed internally and for customer projects creating substantial savings. The Company held 77 innovation events including 'innovation days' with customers and 'innovation forums' (a congregation of COINTM partners, academic researchers and key customers). During the financial year 2012-13, TCS Innovations won 10 awards including the Medici Innovation Hall of Fame, Thomson Reuters India Innovation Awards 2012 and the Asian CIO Leadership Awards 2012. Many senior

researchers from TCS won awards and accolades. Several media news items and interviews with research leaders focused on TCS research.

Awards and achievements

During the year, the Company received various awards and recognitions,

Some of which are given below:

- Awarded Company of the Year by Business Standard
- Ranked as India's Most Valuable Company in BT 500 from Business Today
- Ranked No. 1 in India by Institutional Investors 2012 All-Asia Executive Team rankings
- Selected as Best Managed Board in India by Aon Hewitt - Mint Study 2012
- ICAI Gold Shield for Excellence in Financial Reporting (2011-12), third time in succession Global
- Rated as one of the world's greenest companies by Newsweek Magazine
- Listed in Forbes Asia's Fab 50
- Awarded Best Performing Consultancy Brand in Europe
- Recognized as leading IT Services and Outsourcing Firm in China
- Top honors at the Asian CIO Leadership Awards in Dubai
- Top Software Company at Quest Forum India Quality Award 2012
- Three recognitions in UKs Business in the Community's (BITC) Awards for Excellence 2012

- Caring Company Award 2012 for CSR activities in Hong Kong

Plans:

STRATEGY

The Company's strategy for long-term profitable growth is based on continuously scaling its core IT services business, while investing in new customers, services, markets and industries. The Company's strategy of strengthening the current business and investing in the future revolves around

- (1) Customer centricity
- (2) Full services portfolio
- (3) Global network delivery model (GNDMTM)
- (4) Non-linear business models and
- (5) Experience certainty.

1) Customer centricity:

Building deep and long lasting customer relationships is the key to the Company's long term success. The Company has undertaken several initiatives to be customer centric, including creation of a domain-centric organization structure and building deep domain knowledge and technology skills across industries.

2) Staying relevant:

TCS is helping enterprises to standardize, rationalize and transform their business operations to become operationally efficient and remain cost competitive in the market place. The Company is working closely with its customers, helping them to gain deeper insights into their customers' needs and enabling them to realign their offerings accordingly.

Share holding pattern

Table - 1

Category	31 Dec 2013	30 Sep 2013
Promoter & Promoter Group	73.90	73.96
Indian	73.90	73.96
Foreign	0.00	0.00
Public Shareholding	26.10	26.04
Institutions	21.59	21.67
Non-Institutions	4.51	4.37
ADR's/GDR's & Others	0.00	0.00
Total:	100	100

FINANCIAL HIGHLIGHTS

Table - 2

Description	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
Operating profit	14,306.27	11,385.72	8,771.82	6,667.17	6,020.83
PBT	15,703.18	13,366.33	8,700.43	6,370.38	5,139.69
Gross block	11,623	9,448	7,792	6,420	5,844
Dividends	5024	3867	3189	2287	1603
Revenue	62,989	48,894	37,325	30,029	27,813
Net worth	38,646	29,579	24,505	18,467	15,700
EVA	9,304	7,254	6,808	5,759	3,738
Adj. EPS(Rs)	70.99	53.07	46.27	35.67	26.81
Book Value (Rs)	165.86	126.49	99.53	76.72	136.38
Dividend payout ratio %	36.2	37.2	35.2	32.7	30.5

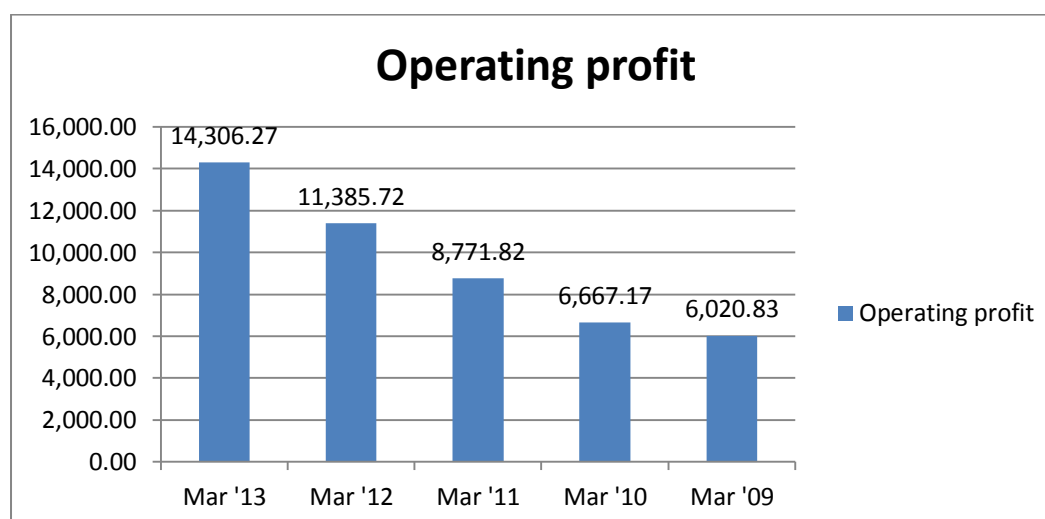
PERCENTAGE CHANGE IN THE FINANCIAL HIGHLIGHTS:

Table - 3

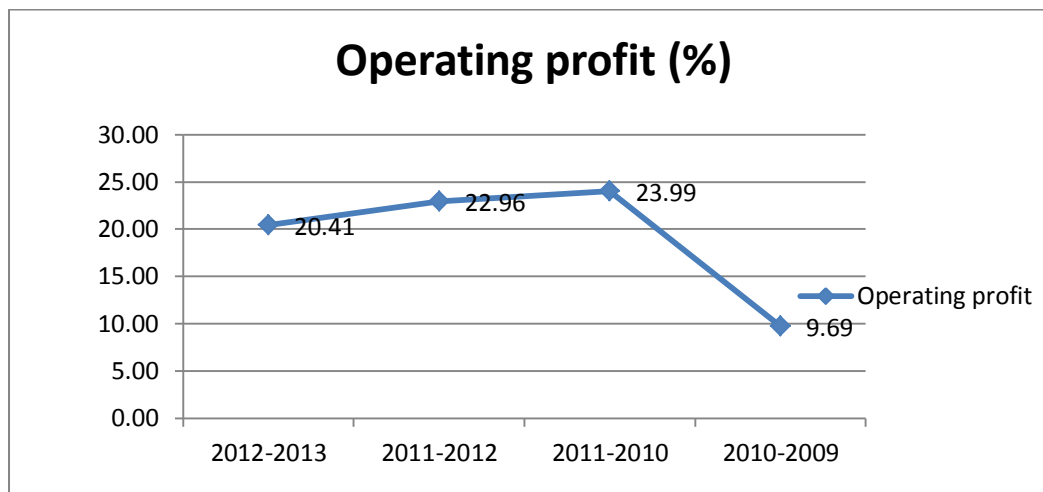
Description	2012-2013	2011-2012	2011-2010	2010-2009
Operating profit	20.41	22.96	23.99	9.69
PBT	14.88	34.91	26.78	19.32
Gross block	18.71	17.53	17.61	8.97
Dividends	23.03	17.53	28.28	29.91
Revenue	22.38	23.66	19.55	7.38
Net worth	23.46	17.15	24.64	14.98
EVA	22.03	6.15	15.41	35.09
Adj. EPS(Rs)	25.24	12.81	22.91	24.84
Book Value (Rs)	23.74	21.31	22.92	-43.74
Dividend payout ratio %	-2.76	5.38	7.1	6.73

GRAPHICAL REPRESENTATION OF OPERATING PROFIT

4.1



GRAPHICAL REPRESENTATION OF % CHANGE IN OPERATING PROFIT 4.1.a



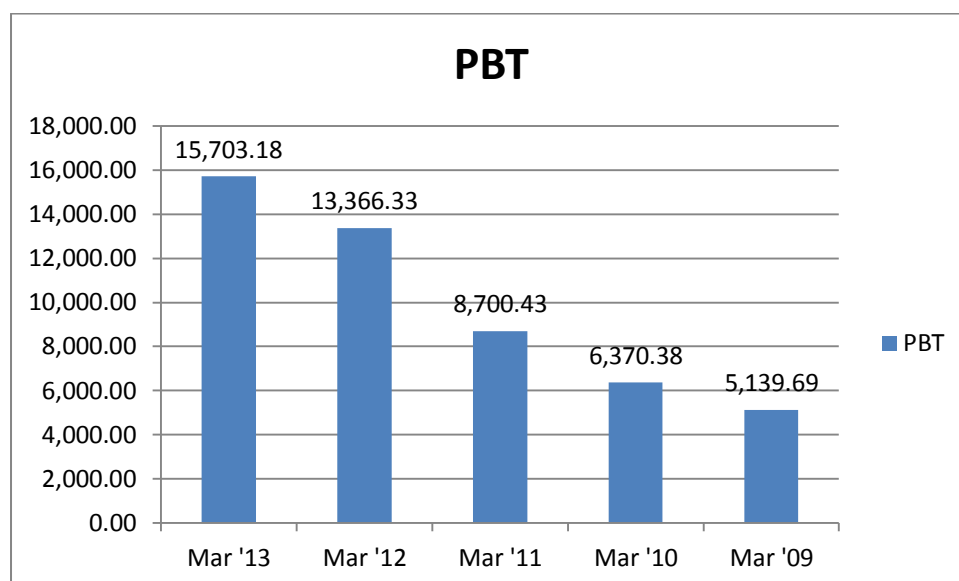
Interpretation:

The above chart represents the operating profit made by TCS over the past five years. Operating profit is the profit earned by the company's core business which doesn't include the company's investments.

TCS has made an operating profit of 14,306.27Cr in fiscal 2013 when compared to fiscal 2009, TCS made an operating profit of 6,020.83. The graph tells that TCS in fiscal 2013 has made an operating profit nearly 2.5 times more than what it made in fiscal 2009.

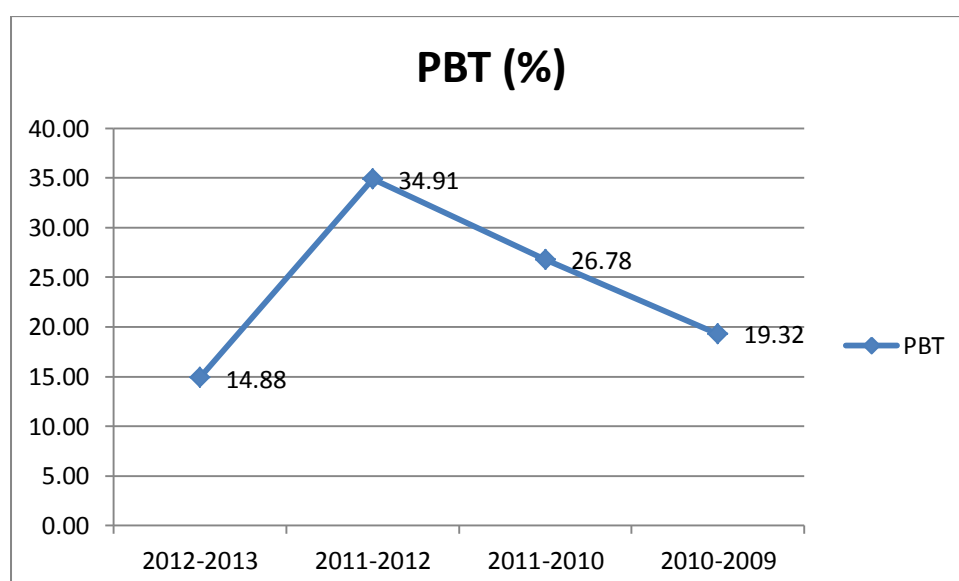
GRAPHICAL REPRESENTATION OF PBT

4.2



GRAPHICAL REPRESENTATION OF % CHANGE IN PBT

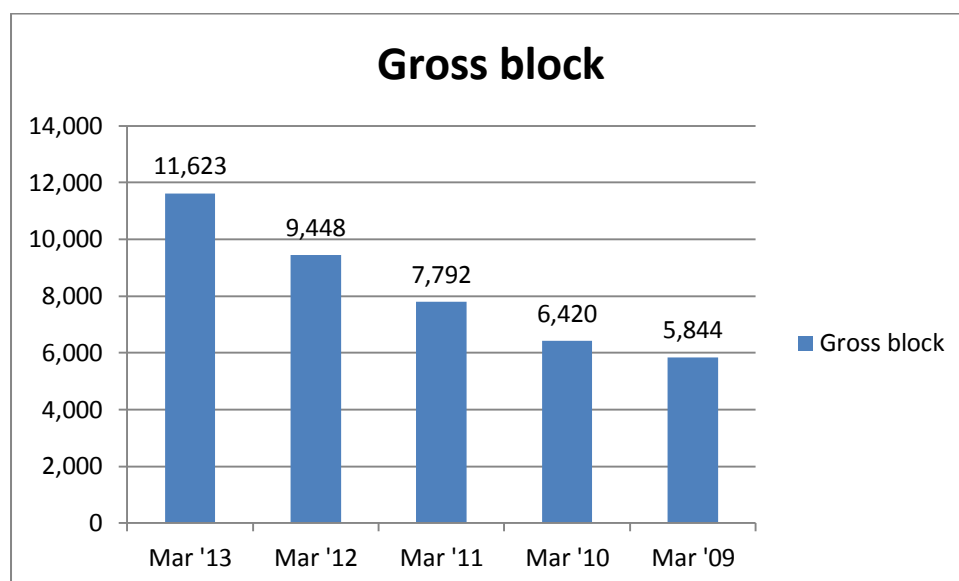
4.2.a



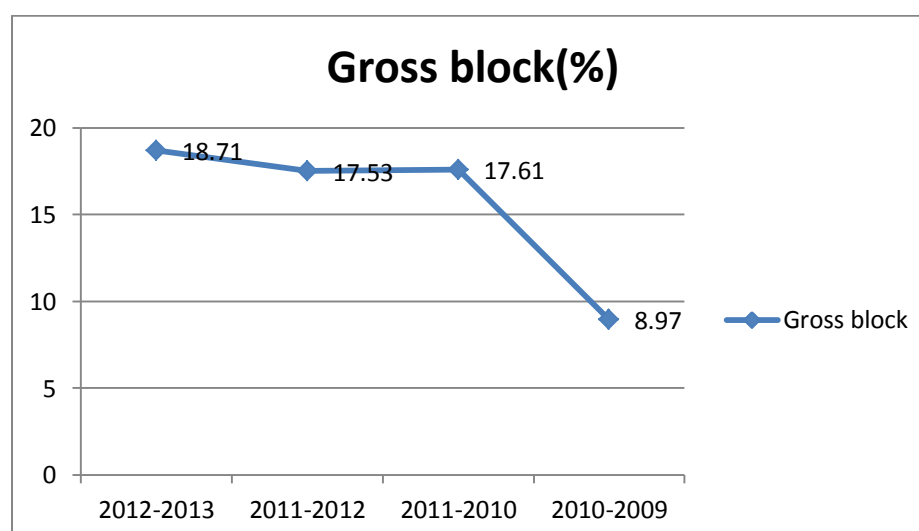
Interpretation:

In the above graph the Profit before Tax (PAT) is considered .PAT is the profit made before paying the corporate income tax. The PAT of TCS in fiscal 2013 is 15.703. The PAT of TCS has increased more than 3 times over the past five year.

GRAPHICAL REPRESENTATION OF GROSS BLOCK 4.3



GRAPHICAL REPRESENTATION OF % CHANGE IN GROSS BLOCK 4.3.a

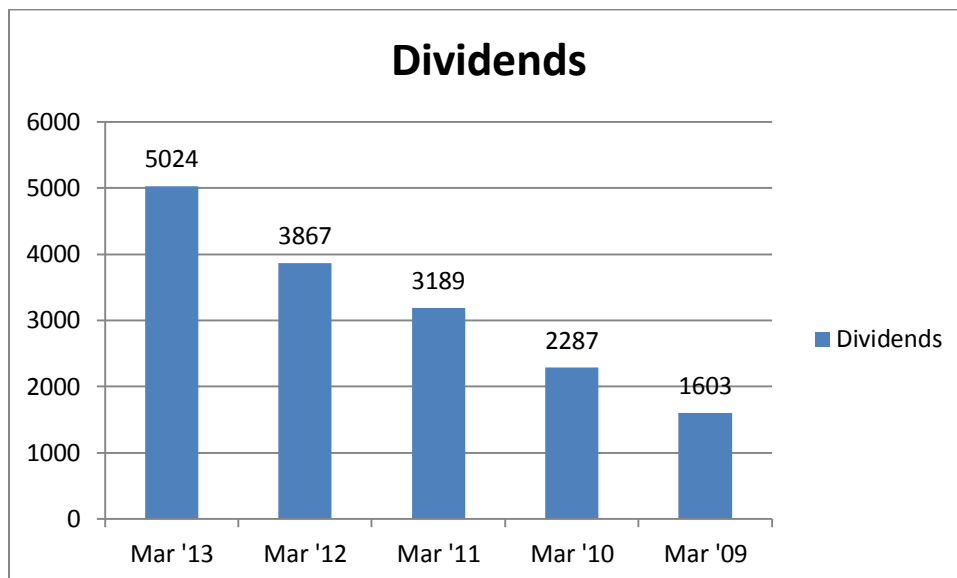


Interpretation:

Above graphs represent the gross block of TCS. Gross block is the sum of the cost of accumulating assets and depreciation. The gross block of TCS has increased 2 times, which is a good sign. The graphs clearly show that TCS has acquired a lot of assets over the years and has been successful in paying for the accumulation of the assets. If the % change in gross block is considered there has not been a lot of variation over the past four years. The variation in 2011-2010 is 17.61% and in 2010-2009 is 8.67%, which is considerably a higher fluctuation.

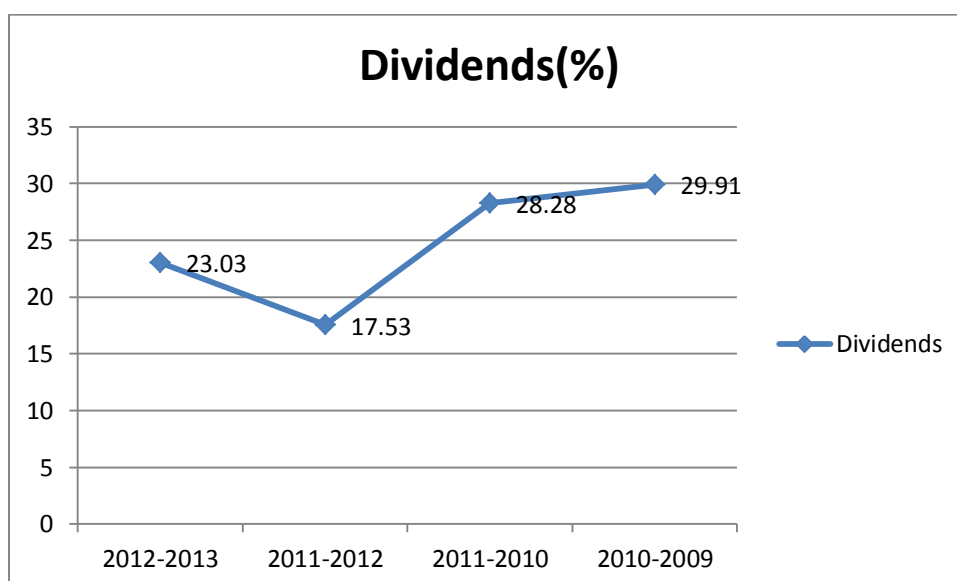
GRAPHICAL REPRESENTATION OF DIVIDENDS

4.4



GRAPHICAL REPRESENTATION OF % CHANGE IN DIVIDENDS

4.4.a



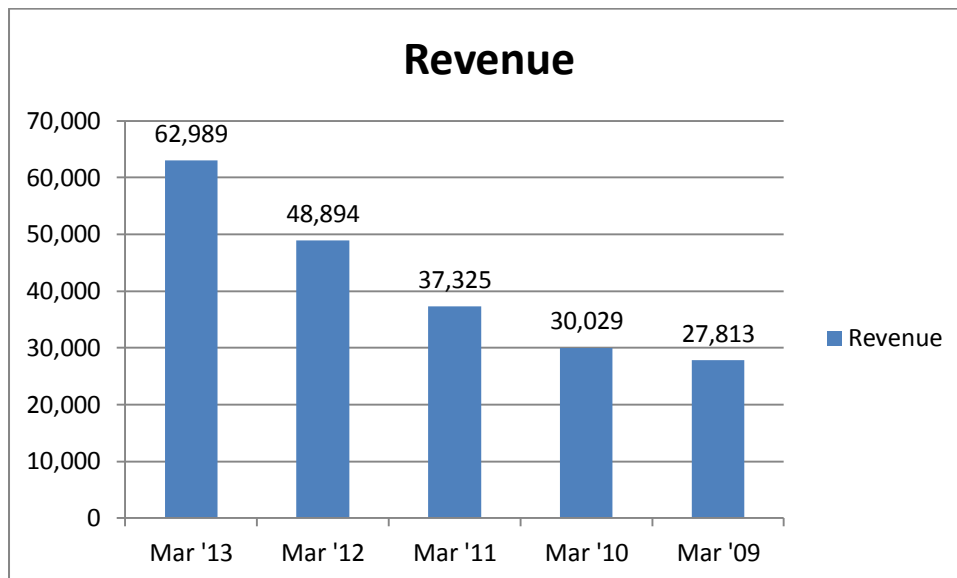
Interpretation:

Dividends is paid by a corporation to its shareholders, it is usually paid as distribution of profits. The dividend paid in fiscal 2013 by TCS is 5024Cr. is more than 3 times what it paid in fiscal 2009 at 1603Cr. If the % change graph is considered it shows that TCS has been

consistent at paying dividends to its shareholders. The graph clearly suggests that the investors looking for high dividends, TCS could be a good bet.

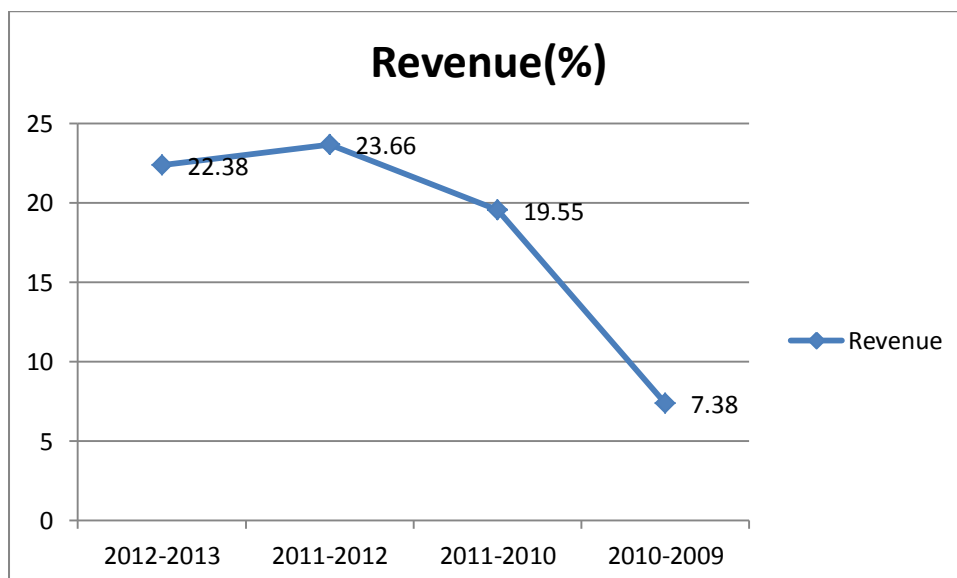
GRAPHICAL REPRESENTATION OF REVENUE

4.5



GRAPHICAL REPRESENTATION OF % CHANGE IN REVENUE

4.5.a



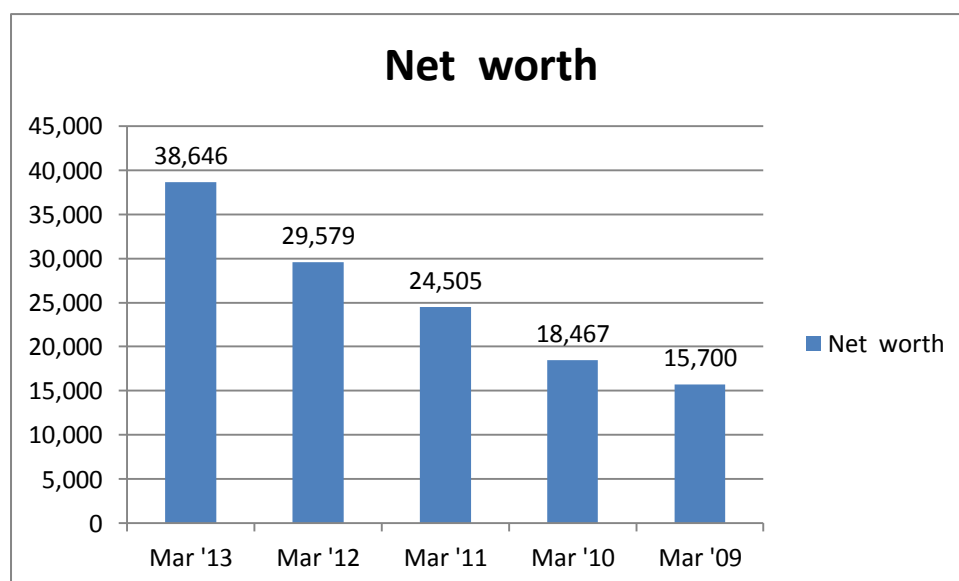
Interpretation:

Above graphs represent the revenue generated by TCS over the past five years and the % change occurred during each year. Revenue is calculated by multiplying the price at which the goods or services are sold with the number of units.

In the year 2013 TCS has generated 2 times more revenue than what it had generated in 2009. If the % change graph is considered there has been a considerable increase in revenue during the year 2011-2010. The graphs indicate that there has been admirable growth in the revenue of TCS

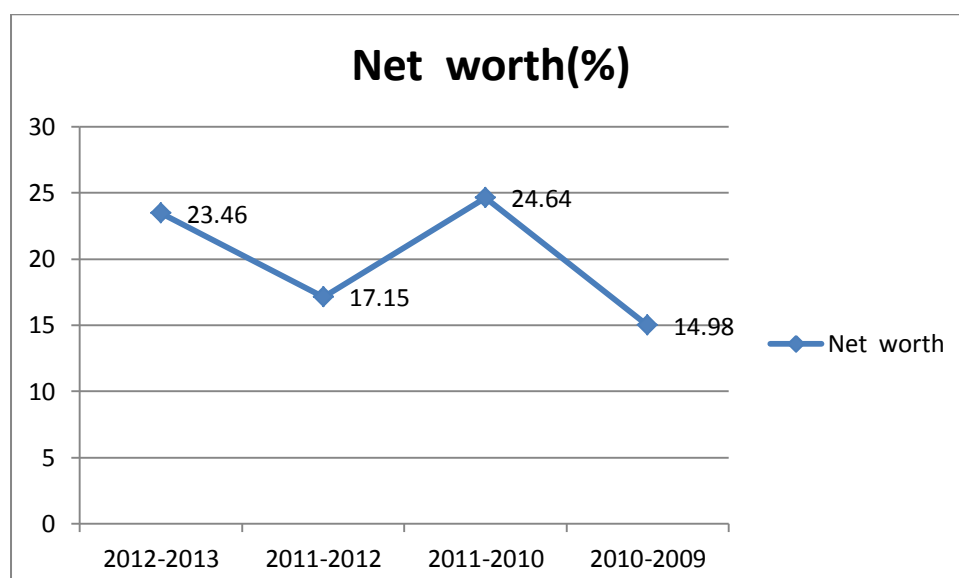
GRAPHICAL REPRESENTATION OF NET WORTH

4.6



GRAPHICAL REPRESENTATION OF % CHANGE IN NET WORTH

4.6.a

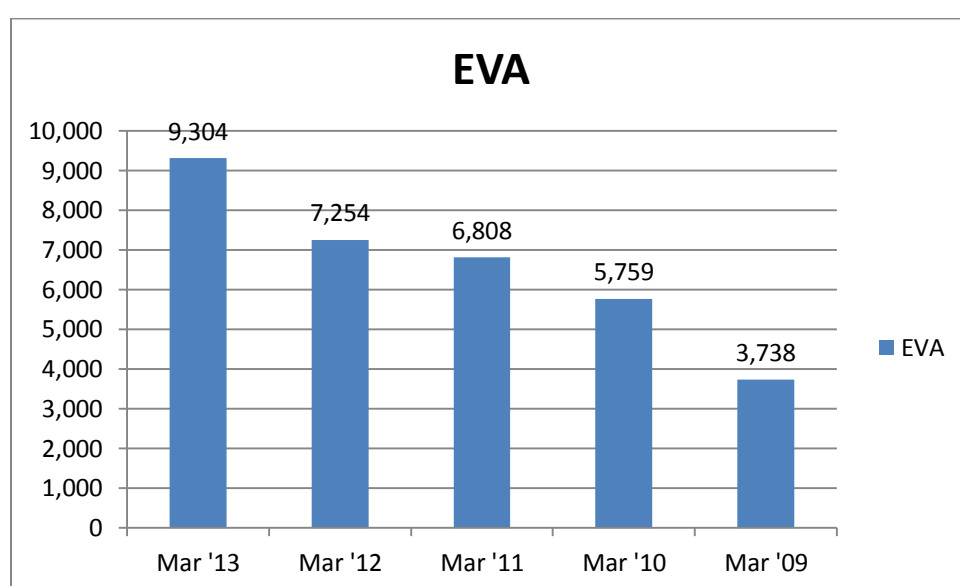


Interpretation:

The above graphs represent the net worth of TCS. net worth is the amount by which the assets exceed the liabilities. A consistent net worth indicates the good health of the company, which is what the graphs above represent. The net worth of TCS has increased 2.5 times in the past five years. Every alternative year there has been increase in the net worth. These graphs indicate that TCS is a very good company to invest in, and any investor should surely have it in the portfolio.

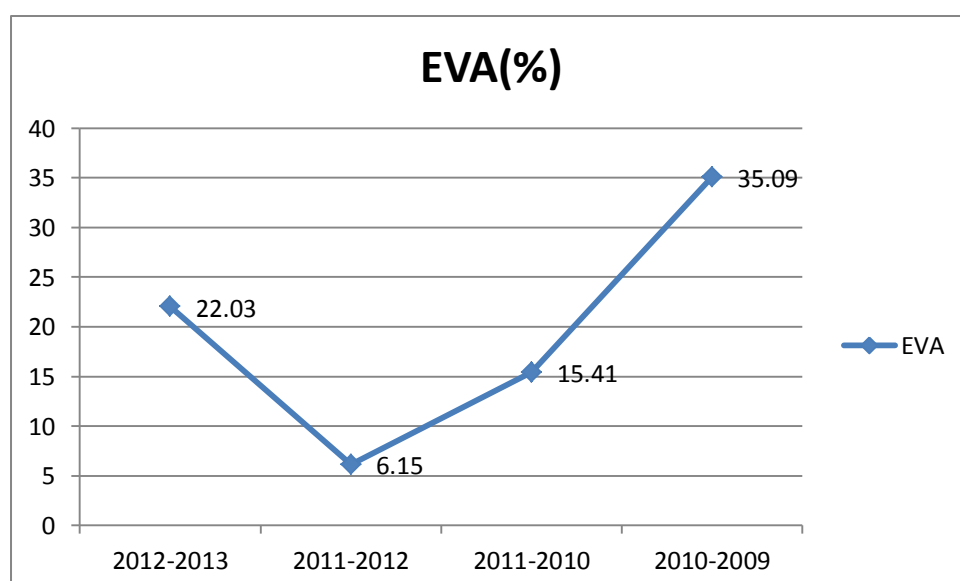
GRAPHICAL REPRESENTATION OF EVA

4.7



GRAPHICAL REPRESENTATION OF % CHANGE IN EVA

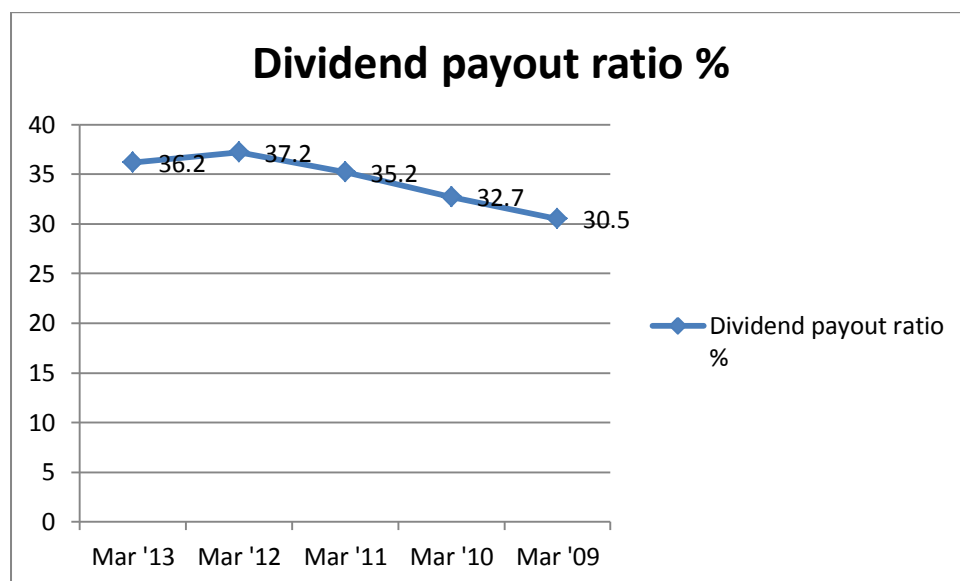
4.7.a



Interpretation:

Economic value addition (EVA) indicates the financial performance of a business. There is nearly a 3 time increase in the EVA from 9304Cr. to 3738Cr. Investor look for EVA like this to invest which has consistently increased. % change during the past five years has decreased, which could be negotiable because there has been an increase of 22.03% during fiscal 2013 and increase can be expected during the coming years.

GRAPHICAL REPRESENTATION OF DIVIDEND PAYOUT RATIO 4.8

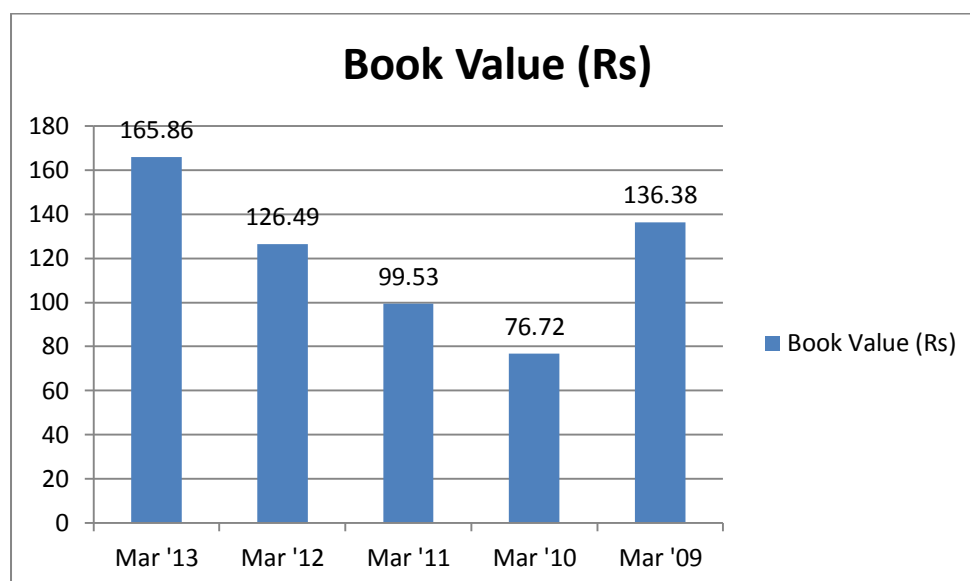


Interpretation:

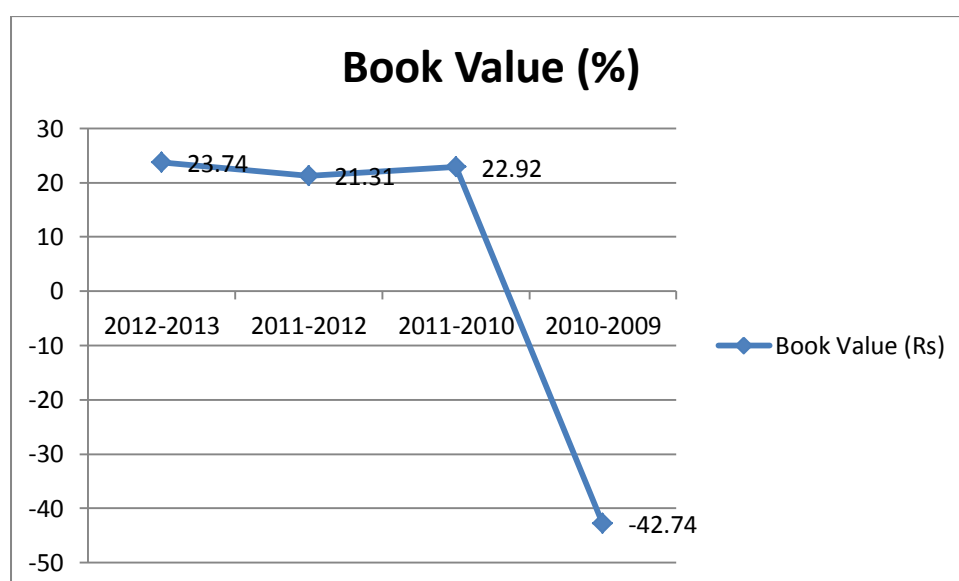
Above graph indicates the dividend payout ratio, it is the percentage of dividends paid to the investors during the year. When the above graph of the dividend payout ratio of TCS is considered it indicates that the values have been between the 30%-36% range. There have not been a lot of fluctuations in the graph which states that TCS has a very good dividend policy by the company's board of directors.

GRAPHICAL REPRESENTATION OF BOOK VALUE

4.9



GRAPHICAL REPRESENTATION OF % CHANGE IN BOOK VALUE 4.9.a



Interpretation:

Above graphs indicate the book value of TCS. The book value in 2010-2009 was significantly lower when compared to the upcoming years. TCS has had a consistent book value over the four years ranging between 21%-24%. These values could at times be negligible because book value does not give an accurate measure of the assets, the reason being the failing of considering the intangible assets.

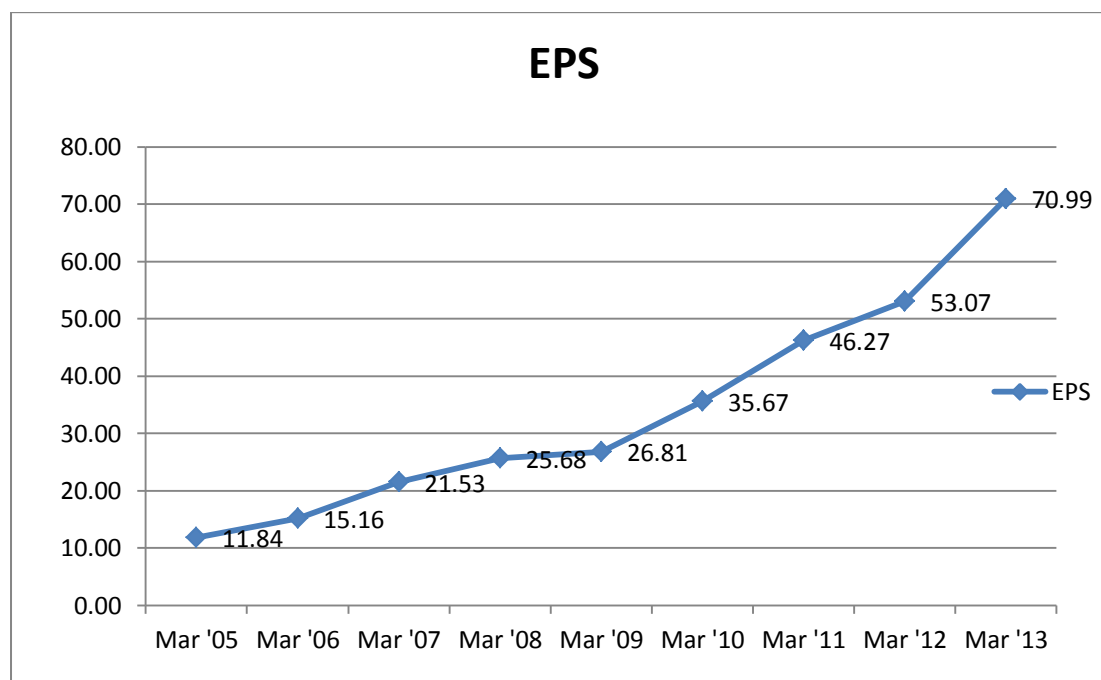
Earnings per share (EPS):

Table – 4

Description	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09	Mar '10	Mar '11	Mar '12	Mar '13
EPS	11.84	15.16	21.53	25.68	26.81	35.67	46.27	53.07	70.99

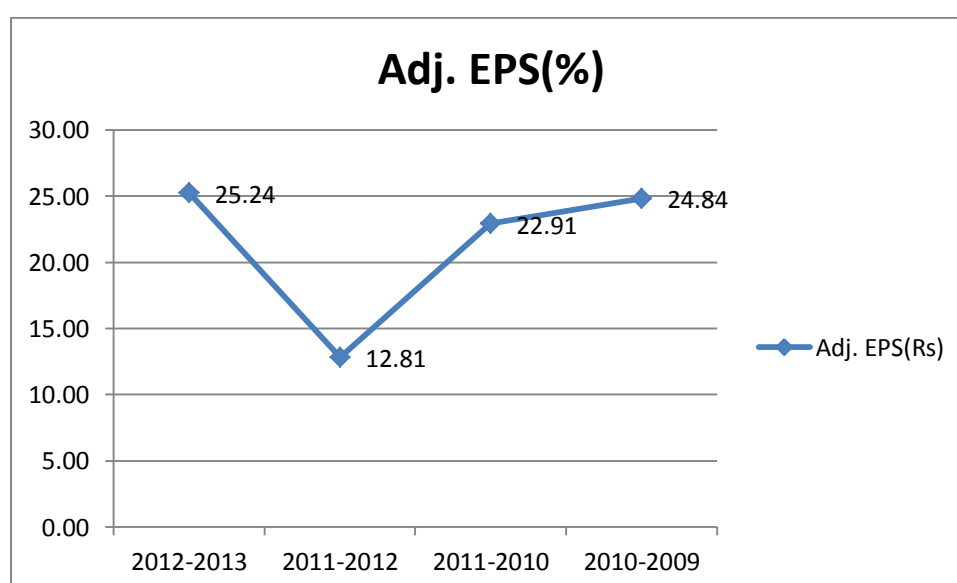
GRAPHICAL REPRESENTATION OF EPS

4.10



GRAPHICAL REPRESENTATION OF % CHANGE IN Adj. EPS

4.10.a



Interpretation:

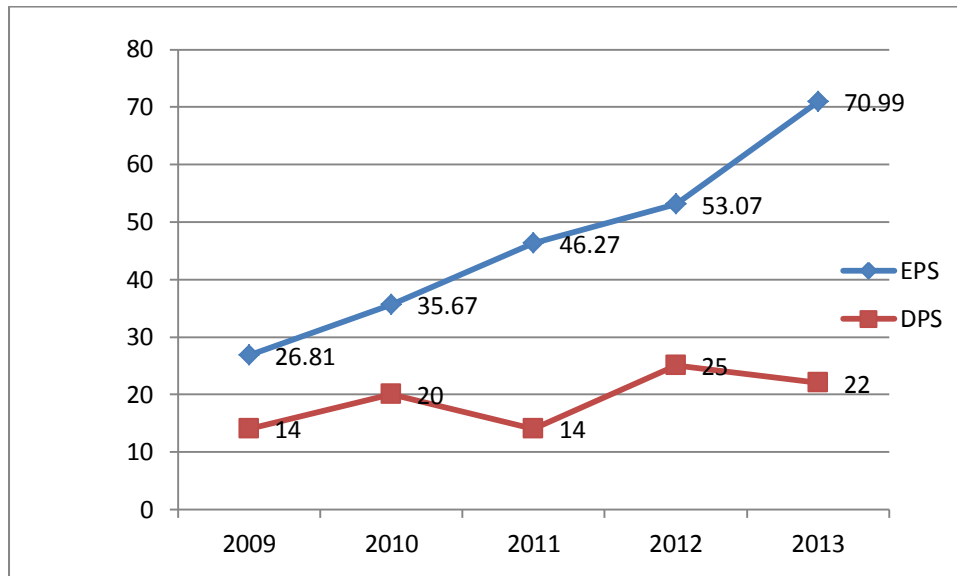
The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share (EPS) serve as an indicator of a company's profitability. The above graph indicates that the EPS of TCS has increased 6 folds during the past 10 years. From 11.84 to 70.99 TCS has seen a huge leap in the EPS. This graph clearly indicates that TCS is a great investment and should be a part of the portfolio of an investor.

FINANCIAL RATIOS

Table - 5

RATIOS	2009	2010	2011	2012	2013
<u>Per Share Ratios</u>					
EPS	26.81	35.67	46.27	53.07	70.99
DPS	14.00	20.00	14.00	25.00	22.00
<u>Profitability ratios</u>					
GP Ratio	25.01	26.89	28.12	27.52	27.88
NP Ratio	20.74	24.13	25.42	26.42	25.24
<u>Liquidity Ratios</u>					
Current Ratio	1.83	1.49	2.45	2.48	2.85
Quick Ratio	1.83	1.48	2.44	2.47	2.88

GRAPHICAL REPRESENTATION OF PER SHARE RATIOS 4.11



Interpretation:

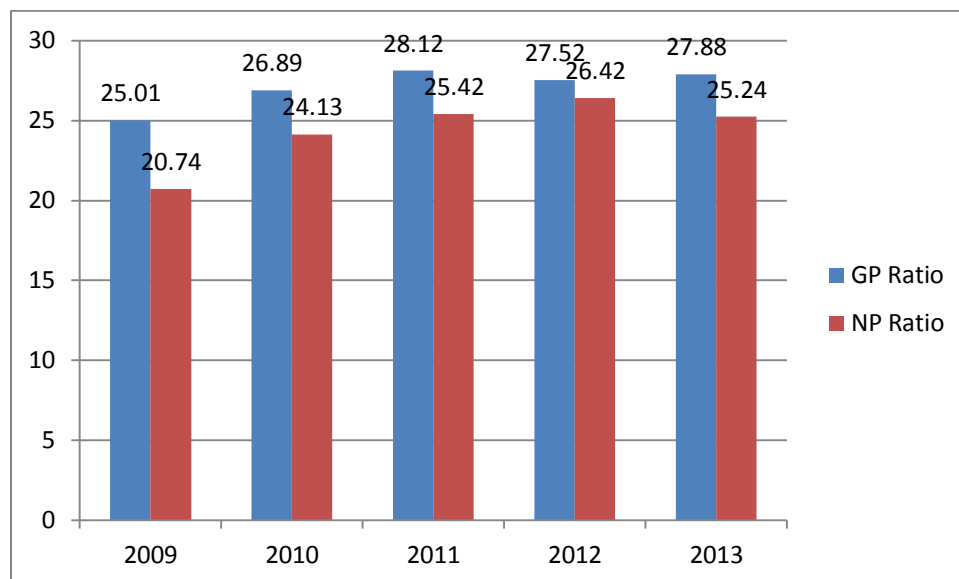
The above graphs indicate the per share ratios like EPS and DPS. The ratios shows us the earnings which could be made by investing in a company, The EPS of TCS has significantly increased from Rs 26.81 to Rs 70.99. This clearly means that TCS has done justice to its investors with such a high increase in EPS every year. The investors who have an interest in companies with a high dividend returns should certainly consider TCS during investing in stock market.

$$\text{EPS} = \frac{\text{Net income} - \text{dividends on preferred stock}}{\text{Average outstanding shares}}$$

$$\text{DPS} = \frac{\text{D} - \text{SD}}{\text{S}}$$

D - Sum of dividends over a period (usually 1 year)
 SD - Special, one time dividends
 S - Shares outstanding for the period

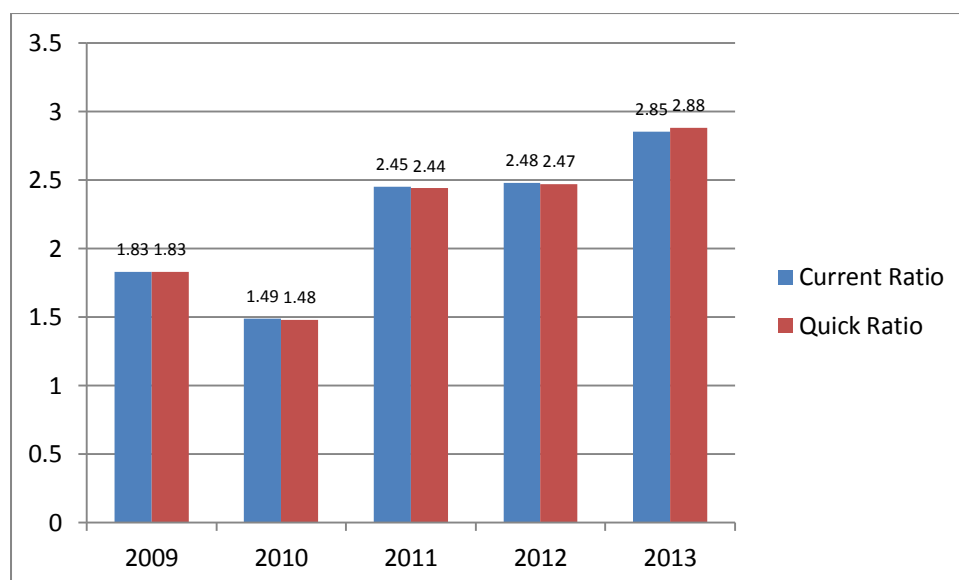
GRAPHICAL REPRESENTATION OF PROFITABILITY RATIOS 4.12



Interpretation:

The above graph represents the profitability ratios like gross profit and net profit, these ratios are a very important tool to know about a company's profitability. The gross profit ratio and the net profit ratio are very good and show that the TCS is making good profits and will be a good investment. The percentages of gross profit and the net profit indicate that there are very less expenses.

GRAPHICAL REPRESENTATION OF LIQUIDITY RATIOS 4.13



Interpretation:

Above graph indicate the liquidity ratios like current ratio and quick ratio. Current ratio is the capability of a company to pay its short term obligation. At 1.83 in fiscal 2013 TCS has proved that it has been paying its short term obligation. Quick ratio indicates the capability to meet the obligation. The above graph suggests the closeness tops of the bars which tell us that TCS is able to meet its entire obligation.

Key market ratios:

Table - 6

MARKET CAP (Rs Cr)	411,009.69
*P/E	24.62
*BOOK VALUE(RS)	165.73
DIV (%)	2200
MARKET LOT	1
INDUSTRY P/E	28.89
Adj. EPS	70.99
*PRICE/BOOK	12.66
DIV YIELD (%)	1.05
DELIVERABLES (%)	65.24

Analysis:

The table contains the key market ratios from which the fundamentals of a company can be analyzed. The market capital acquired by TCS is very high, which is a good sign. The book value is relatively high at 165.73. If industry P/E is considered against the P/E of TCS, TCS is relatively lower than the industry. A financial ratio that shows how much a company pays out in dividends each year relative to its share price is called as the dividend yield. The

A Study On Fundamental Analysis

dividend yield is 1.05 which means that TCS is paying more dividend than its share price. The earnings per share are high which a factor that would certainly interest the investors is.

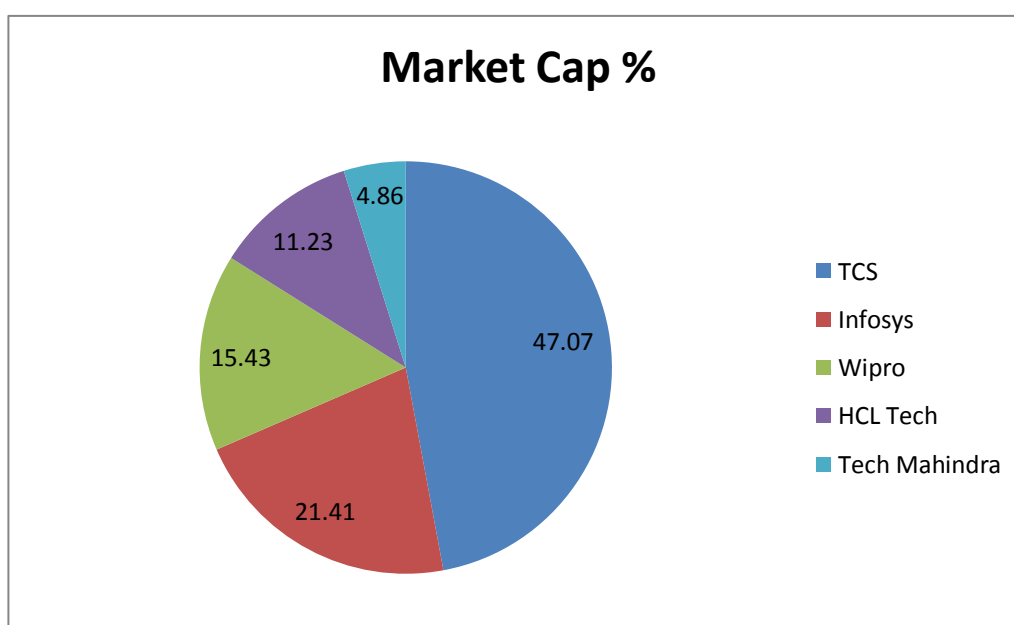
Peer comparison among the top IT companies:

Table - 7

Company	Last Price	Market Cap (Rs. Cr.)	Sale turnover (Rs. Cr.)	Net Profit (Rs. Cr)	Total Assets	Market Cap %	Sales Turnover %	Net Profit %
TCS	2094.85	410324.13	48426.14	12786.34	32725.37	47.07	35.29	40.07
Infosys	3250.60	186661.21	36765.00	9116.00	36059.00	21.41	26.79	28.57
Wipro	545.35	134485.23	33517.30	5650.20	28275.50	15.43	24.42	17.71
HCL Tech	1399.20	97849.81	12517.82	3704.72	10852.88	11.23	9.12	11.61
Tech Mahindra	1815.00	42375.33	6001.89	652.52	5287.30	4.86	4.37	2.04

GRAPHICAL REPRESENTATION OF % MARKET CAPITATIZATION

4.14

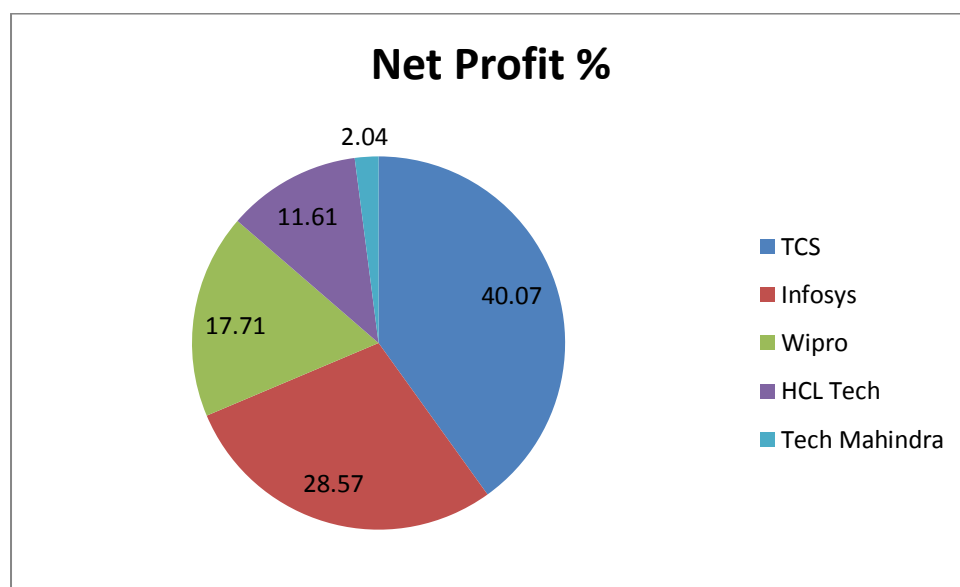


Interpretation:

According to the above chart, it represents that the market capitalization of TCS is comparatively higher than the other top IT companies. This chart tells us that TCS is able to acquire a lot more capital and could conduct big projects.

GRAPHICAL REPRESENTATION OF % OF NET PROFIT

4.15

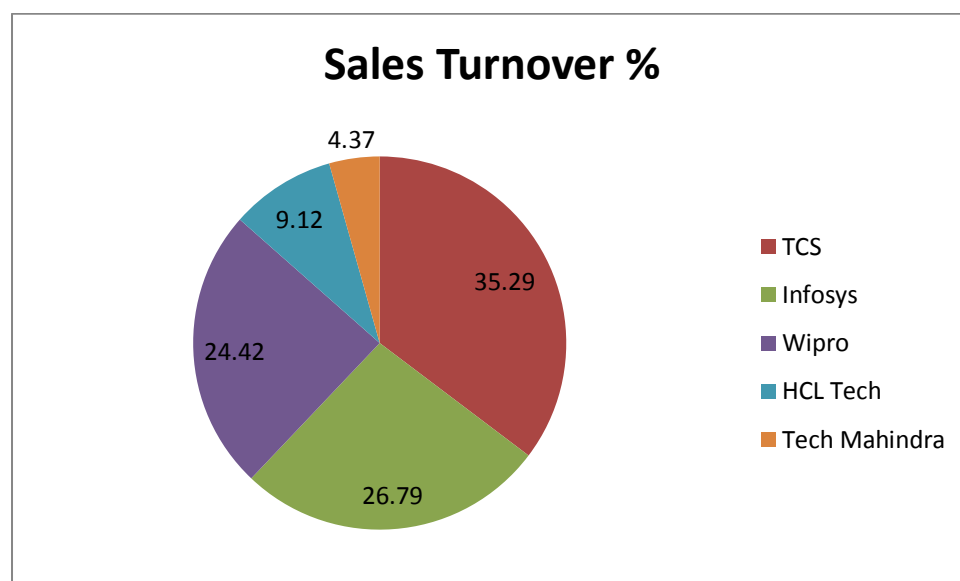


Interpretation:

The above chart represents the net profit made by the top five IT companies. Among which TCS has a net profit of 12786Cr which is a 40.07% more than the other companies which are compared in the chart. This is a good sign for an investor who wants to invest in TCS

Graphical representation of % of sales turnover

4.16

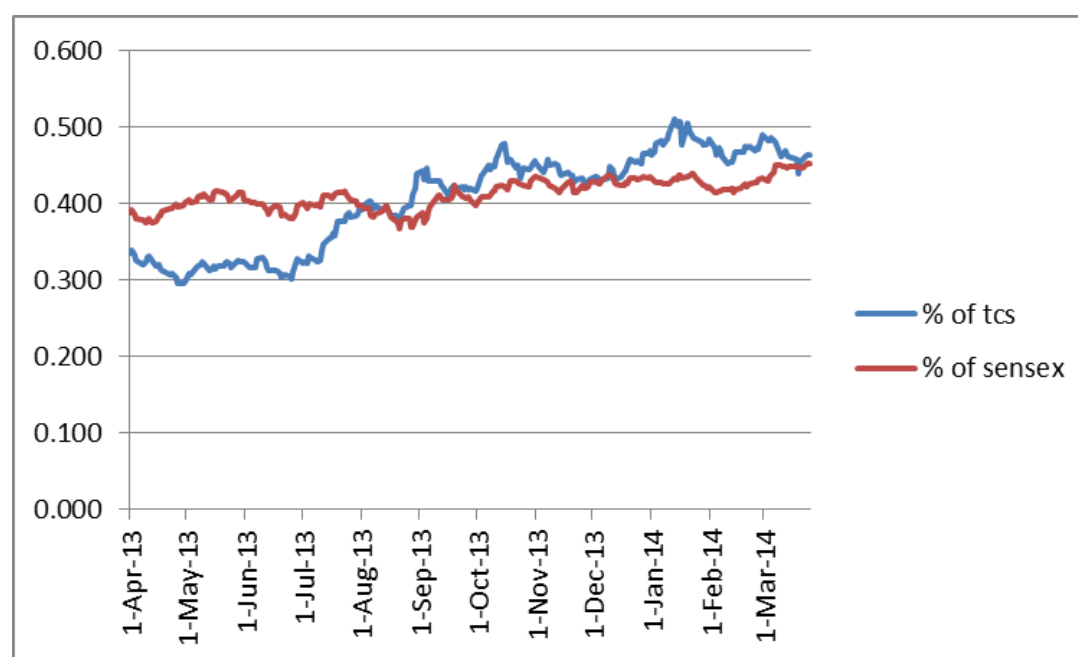


Interpretation:

The sales turnover of TCS is 35.29 % among the top IT companies. This means with the variety of services provided by TCS, an investor prefers it over other companies from this sector

GRAPHICAL REPRESENTATION OF COMPARISON OF THE PERFORMANCE OF TCS AGAINST SENSEX

4.17



Interpretation:

The above graph is a comparison of the performance of TCS against SENSEX. The performance of TCS till 1st August was comparatively lower when compared to SENSEX. After August TCS has been an over performer, performing better than the SENSEX. Investor would certainly consider this graph and would want to invest in the shares of TCS

Expected growth of TCS by MOSL's research report:

Acquires French IT Services firm ALTI; Synergy seen from access to marquee clientele; 1.4% accretion to revenues and negligible impact on EPS

- TCS announced the acquisition of ALTI, a French IT Services firm providing services around Enterprise Solutions, Assurance and CRM, for a total consideration of EUR75m. ALTI SA reported EUR126m revenues in CY12 and has grown revenues at a CAGR of 15% over the last 5 years. The company has a large number of marquee clients across industries such as BFSI, Services, Utilities – examples include Allianz, BNP Paribas, HSBC, Mercedes Benz, L'Oreal, SAP etc.

- The acquisition gives TCS access to blue-chip French and European clients. France is the third largest IT Services market in Europe, estimated to be EUR30b. We believe that acquisition synergies in the long run could come from ALTI's marquee clientele. TCS' breadth of offerings and scale of operations lends potential to expand its wallet share significantly in this group, than ALTI's current scale at each.

Impact on Financials:

- 1,200 employees in ALTI contributed towards EUR126m revenues in CY12. Assuming a high utilization rate at onsite, in the range of 90-95%, we get billing rate in the ballpark of USD75-80/hour, which is comparable to onsite rates for top Indian vendors.

- Given a revenue base of EUR126m in CY12 and 5-year revenue CAGR of 14.5%, the acquisition adds ~1.4% to FY13 revenue base and changes our FY14E /FY15E USD revenue estimates by 1.1%/1.0%

- Also, given the consideration amount of EUR75m, even if we assume that TCS paid 12x trailing earnings in CY12, we arrive at a PAT margin of 5%. Assuming TCS paid 10x CY12, we arrive at a PAT margin of 6%. After factoring in the post tax yield forgone on cash, accretion to EPS is negligible.

Valuation and View:

- TCS trades at 19x FY14E and 17.3x FY15E EPS. We expect the company to grow its USD revenues at a CAGR of 14.6% over FY13-15 and EPS at a CAGR of 10.2% during this period.
- While we expect TCS to continue leading the pack in terms of growth and execution, at 19x FY14, we see the outperformance priced into the stock, making it difficult to surprise the street. Maintain Neutral.

Event:

- TCS announced the acquisition of ALTI, a French IT Services firm providing services around Enterprise Solutions, Assurance and CRM.
- The company signed a definitive agreement for acquisition of 100% acquisition shares in Alti SA, for an all cash consideration of EUR75m.

About ALTI SA:

- ALTI SA is a technology services firm specializing in IT solutions like EAS, Testing and CRM.
- It is a privately held company owned by its management and two private equity funds – CM-CIC LBO Partners and IDI.
- The company grew its revenues to EUR126m in CY12 from EUR64m in CY07, and employs 1,200 people based out of France, Belgium and Switzerland.
- The company is regarded as one of the top 5 System Integrators of Enterprise Solutions.
- ALTI's clientele includes the following:
 - o **Insurance:** Allianz, Ageas, Axa, BNP Paribas Cardif, Generali
 - o **Banking:** Amundi, HSBC, Axa Bank, Banque de France, Credit Agricole, Societe Generale

- o **Industry/Services:** Mercedes Benz, L'Oreal, Alcatel Lucent, Sanofi Aventis, Air France, SAP, Sodexo, Orange
- o **Public Sector/Utilities:** Ministry of Justice, Ministry of Finance, UNESCO, Ville de Paris, SUEZ Environment.

Rationale:

- Primarily, the acquisition gives TCS access to blue-chip French and European clients across multiple verticals like BFSI, Manufacturing and Utilities
- France is the third largest IT Services market in Europe, estimated to be EUR30b+ (~USD40b+), after UK and Germany, and the acquisition is expected to help TCS accelerate growth in France with an expanded set of Services.

Our View:

- We believe that the benefits from ANTI's marquee clientele could be a significant synergy from the acquisition. TCS' breadth of offerings and scale of operations lends potential to expand its wallet share significantly in this group, than ALTI's current scale at each.
- The trend of Continental Europe gradually opening up to outsourcing and off shoring has been increasingly visible in the last few quarters, as a result of which expanding reach in the geography has been a key imperative for the industry.

TCS' acquisition of ALTI follows Infosys' acquisition of Lodestone in 2QFY13, which was based out of Zurich and had 83% of revenues from Europe. Continued increase in the outsourcing trend out of Europe could be a key growth driver for the industry, and hence, we do not think that this is the last of the transactions undertaken in the region.

FINDINGS AND CONCLUSIONS

FINDINGS:

- 1) In the Economic Analysis we can see that economic is booming after 2 and current position shows that this is the good time to invest after the recession because GDP growth rate is increasing. And overall economy is growing.
- 2) The growth of real GDP has generally shown declining trend since the first quarter of 2011-2012. GDP growth in India during 2011-12 and 2012-13 is in sync with trends in similar emerging economies.
- 3) The labour productivity in India in 2011 was US\$ 9,310, compared to US\$ 69,900 in UK and US\$ 96,000 in the United States.
- 4) In the analysis of TCS we can see that EPS is increasing yoy. And dividend is also increasing so investor can invest in the company but on other side we company's intrinsic value is less than the current price it shows that the share price is overvalued and investor should sell the share. But if investor want to invest in the company for long term than he can have a good profit because company growing rapidly in terms of profit and net sales and its EPS & DPS are increasing over the years.
- 5) There has been in an increase in all the financial aspects of TCS. It tells us that it is a very good investment to be made.
- 6) TCS has been a over performer when it is compared with the market index SENSEX.
- 7) The revenue of TCS has grown over the years. Some of the graphs in the data given in **chapter 4** suggest that TCS is making profit and is able to repay its debts. Some graphs also suggest that it is strong enough to beat out its competitors in the future.

CONCLUSION:

Fundamental analysis holds that no investment decision should be without processing and analyzing all relevant information. Its strength lies in the fact that the information analyzed is real as opposed to hunches or assumptions. On the other hand, while fundamental analysis deals with tangible facts, it does not tend to ignore the fact that human beings do not always act rationally. Market prices do sometimes deviate from fundamentals. Prices rise or fall due to insider trading, speculation, rumor, and a host of other factors.

The above report says that our economic is growing after the recession and it is the good time for the one who want to invest. and according to the industry analysis investor can invest in the banks but he/she should be careful for the investment

All the findings during this project tell us that TCS is would be a good investment and an investor should certainly have it in the portfolio of investment.

SUGGESTIONS

The analysis carried out at on the TCS, their profit and loss account, balance sheet and ratios. I shall suggest the investors to invest in TCS than the other IT companies as a value investment.

- Strong increase in profit year-on-year basis.
- Increasing EPS indicate good earnings.
- Increase in sharing profit with shareholders in form of dividend.
- TCS is expanding its footholds on international level also; its
- Insurance and asset management business are also performing well.
- TCS is the one of largest companies in the IT industry.
- The net worth of TCS is high.
- When compared with SENSEX , TCS has been a over performer

ANNEXURES

Balance Sheet of Tata Consultancy Services	----- in Rs. Cr. -----				
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Sources Of Funds					
Total Share Capital	295.72	295.72	295.72	295.72	197.86
Equity Share Capital	195.72	195.72	195.72	195.72	97.86
Share Application Money	0.00	0.00	0.00	0.00	0.00
Preference Share Capital	100.00	100.00	100.00	100.00	100.00
Reserves	32,266.53	24,560.91	19,283.77	14,820.90	13,248.39
Revaluation Reserves	0.00	0.00	0.00	0.00	0.00
Networth	32,562.25	24,856.63	19,579.49	15,116.62	13,446.25
Secured Loans	161.60	93.47	35.87	29.25	32.63
Unsecured Loans	1.52	2.76	5.25	6.49	7.74
Total Debt	163.12	96.23	41.12	35.74	40.37
Total Liabilities	32,725.37	24,952.86	19,620.61	15,152.36	13,486.62
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Application Of Funds					
Gross Block	9,152.32	7,282.02	6,030.16	4,871.21	4,359.24
Less: Accum. Depreciation	4,048.04	3,218.40	2,607.98	2,110.69	1,690.16
Net Block	5,104.28	4,063.62	3,422.18	2,760.52	2,669.08
Capital Work in Progress	1,763.85	1,726.88	1,345.37	940.72	685.13
Investments	6,324.38	5,688.39	5,795.49	7,893.39	5,936.03
Inventories	6.34	4.14	5.37	6.78	16.95
Sundry Debtors	11,202.32	9,107.72	4,806.67	3,332.30	3,717.73
Cash and Bank Balance	4,054.16	203.18	224.77	212.31	479.93
Total Current Assets	15,262.82	9,315.04	5,036.81	3,551.39	4,214.61
Loans and Advances	14,556.81	7,877.86	5,063.51	4,101.84	3,910.85
Fixed Deposits	0.00	5,587.02	5,379.75	3,183.85	1,125.33
Total CA, Loans & Advances	29,819.63	22,779.92	15,480.07	10,837.08	9,250.79
Deffered Credit	0.00	0.00	0.00	0.00	0.00
Current Liabilities	6,121.11	4,761.43	3,932.39	3,352.74	3,604.18
Provisions	4,165.66	4,544.52	2,490.11	3,926.61	1,450.23
Total CL & Provisions	10,286.77	9,305.95	6,422.50	7,279.35	5,054.41
Net Current Assets	19,532.86	13,473.97	9,057.57	3,557.73	4,196.38
Miscellaneous Expenses	0.00	0.00	0.00	0.00	0.00
Total Assets	32,725.37	24,952.86	19,620.61	15,152.36	13,486.62
Contingent Liabilities	10,984.51	6,537.78	3,938.76	3,292.50	2,924.33
Book Value (Rs)	165.86	126.49	99.53	76.72	136.38

A Study On Fundamental Analysis

Source : **Dion Global Solutions Limited**

Profit & Loss account of Tata in Rs. Cr.					
Consultancy Services	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Sales Turnover	48,426.14	38,858.79	29,275.68	23,044.84	22,404.00
Excise Duty	0.00	0.25	0.27	0.39	2.08
Net Sales	48,426.14	38,858.54	29,275.41	23,044.45	22,401.92
Other Income	2,230.39	2,685.18	486.44	182.10	-456.24
Stock Adjustments	0.00	-0.26	-0.87	-1.38	1.73
Total Income	50,656.53	41,543.46	29,760.98	23,225.17	21,947.41
Expenditure					
Raw Materials	25.04	11.81	17.75	23.75	53.67
Power & Fuel Cost	0.00	292.10	240.00	183.62	164.34
Employee Cost	17,081.72	14,100.41	10,190.31	7,882.43	7,370.09
Other Manufacturing Expenses	0.00	10,575.83	8,135.57	6,446.99	6,947.60
Selling and Admin Expenses	0.00	1,686.41	1,194.72	1,268.03	1,218.41
Miscellaneous Expenses	17,013.11	806.00	724.37	571.08	628.71
Preoperative Exp Capitalised	0.00	0.00	0.00	0.00	0.00
Total Expenses	34,119.87	27,472.56	20,502.72	16,375.90	16,382.82
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Operating Profit	14,306.27	11,385.72	8,771.82	6,667.17	6,020.83
PBDIT	16,536.66	14,070.90	9,258.26	6,849.27	5,564.59
Interest	30.62	16.40	20.01	9.54	7.44
PBDT	16,506.04	14,054.50	9,238.25	6,839.73	5,557.15
Depreciation	802.86	688.17	537.82	469.35	417.46
Other Written Off	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	15,703.18	13,366.33	8,700.43	6,370.38	5,139.69
Extra-ordinary items	0.00	-129.49	0.00	-13.98	-103.11
PBT (Post Extra-ord Items)	15,703.18	13,236.84	8,700.43	6,356.40	5,036.58
Tax	2,916.84	2,260.86	1,130.44	737.89	340.37
Reported Net Profit	12,786.34	10,975.98	7,569.99	5,618.51	4,696.21
Total Value Addition	34,094.83	27,460.75	20,484.97	16,352.15	16,329.15
Preference Dividend	19.00	22.00	11.00	17.00	7.00
Equity Dividend	4,305.88	4,893.04	2,740.10	3,914.43	1,370.05
Corporate Dividend Tax	712.18	797.34	450.82	657.51	234.02
Per share data (annualised)					
Shares in issue (lakhs)	19,572.21	19,572.21	19,572.21	19,572.21	9,786.10
Earning Per Share (Rs)	65.23	55.97	38.62	28.62	47.92
Equity Dividend (%)	2,200.00	2,500.00	1,400.00	2,000.00	1,400.00
Book Value (Rs)	165.86	126.49	99.53	76.72	136.38

Source : **Dion Global Solutions Limited**

A Study On Fundamental Analysis

Date	Open	High	Low	LTP	Close	Volume	Turnover (in Lakhs)
25-Mar-14	2,144.00	2,172.00	2,130.00	2145.2	2,146.65	11,24,984	24,184.36
24-Mar-14	2,136.95	2,157.95	2,126.15	2149.95	2,152.60	10,91,507	23,395.91
22-Mar-14	2,125.00	2,141.90	2,115.45	2123.25	2,128.25	94,751	2,019.65
21-Mar-14	2,125.00	2,145.00	2,085.00	2126	2,127.00	23,40,388	49,562.37
20-Mar-14	2,038.00	2,122.90	2,011.40	2107	2,108.20	28,64,478	59,581.17
19-Mar-14	2,075.00	2,075.00	2,013.05	2037.8	2,039.40	43,26,331	87,984.31
18-Mar-14	2,135.50	2,151.80	2,104.25	2113.95	2,122.00	12,82,921	27,297.23
14-Mar-14	2,141.00	2,160.50	2,124.30	2138	2,139.55	10,80,623	23,143.23
13-Mar-14	2,148.05	2,202.00	2,136.85	2146.7	2,149.55	10,09,942	21,935.25
12-Mar-14	2,153.00	2,189.75	2,153.00	2177.05	2,179.45	8,34,894	18,163.41
11-Mar-14	2,155.00	2,177.65	2,122.00	2155.1	2,151.65	12,75,127	27,443.13
10-Mar-14	2,228.10	2,228.50	2,135.00	2145	2,142.65	19,14,884	41,385.81
7-Mar-14	2,245.50	2,250.05	2,152.80	2225.05	2,228.50	23,49,236	51,649.07
6-Mar-14	2,252.85	2,260.00	2,232.15	2240	2,240.75	6,57,281	14,733.80
5-Mar-14	2,254.85	2,286.25	2,242.55	2247.15	2,251.90	11,51,003	26,011.90
4-Mar-14	2,233.20	2,254.00	2,224.00	2240.2	2,240.65	10,15,166	22,743.68
3-Mar-14	2,271.80	2,299.00	2,228.00	2232.15	2,240.05	8,03,039	18,123.40
28-Feb-14	2,161.00	2,280.00	2,160.15	2271.85	2,275.75	19,94,096	44,923.55
26-Feb-14	2,194.00	2,195.00	2,177.15	2183.95	2,182.15	19,29,856	42,138.22
25-Feb-14	2,189.00	2,199.50	2,180.00	2186.8	2,188.90	16,52,687	36,217.73
24-Feb-14	2,204.00	2,205.25	2,170.10	2177.95	2,177.90	12,25,212	26,684.91
21-Feb-14	2,198.00	2,213.00	2,190.75	2203	2,205.70	8,58,930	18,935.82
20-Feb-14	2,206.00	2,222.00	2,182.80	2188.2	2,189.35	7,93,962	17,499.99
19-Feb-14	2,170.00	2,215.00	2,162.25	2213	2,197.95	5,36,459	11,719.50
18-Feb-14	2,165.00	2,191.00	2,155.85	2161.1	2,166.00	7,63,458	16,612.58
17-Feb-14	2,160.00	2,186.00	2,147.20	2164.7	2,165.40	8,35,197	18,101.53
14-Feb-14	2,137.90	2,184.75	2,128.10	2163.5	2,167.90	9,55,031	20,662.92
13-Feb-14	2,107.00	2,138.40	2,096.50	2137.9	2,133.75	10,47,175	22,250.23
12-Feb-14	2,118.00	2,123.60	2,095.00	2098.8	2,105.45	15,37,174	32,461.70
11-Feb-14	2,100.00	2,126.50	2,096.00	2100	2,101.70	17,84,393	37,674.68
10-Feb-14	2,144.00	2,144.00	2,085.10	2092.55	2,093.55	20,09,635	42,318.76
7-Feb-14	2,190.00	2,195.00	2,131.00	2142.9	2,144.40	9,95,456	21,477.29
6-Feb-14	2,180.00	2,189.90	2,145.00	2169.6	2,175.25	9,61,326	20,854.36
5-Feb-14	2,163.80	2,200.00	2,140.00	2196.25	2,194.40	9,26,825	20,135.85
4-Feb-14	2,174.00	2,175.00	2,112.05	2162	2,151.35	13,47,083	28,862.20
3-Feb-14	2,222.00	2,244.25	2,190.80	2192.7	2,194.45	6,81,240	15,023.76
31-Jan-14	2,225.10	2,269.80	2,221.00	2230.95	2,241.05	10,87,123	24,483.26
30-Jan-14	2,198.05	2,227.00	2,190.00	2222.25	2,217.60	11,12,625	24,515.83
29-Jan-14	2,240.00	2,240.00	2,205.00	2213.05	2,209.80	8,49,038	18,834.55
28-Jan-14	2,232.00	2,247.85	2,196.10	2215	2,212.35	14,26,083	31,638.27
27-Jan-14	2,226.00	2,259.50	2,220.10	2237	2,229.60	12,66,474	28,350.22
24-Jan-14	2,244.00	2,283.25	2,235.00	2249	2,248.70	9,25,133	20,954.26
23-Jan-14	2,268.10	2,276.70	2,237.30	2254.15	2,252.45	11,45,381	25,831.40
22-Jan-14	2,287.10	2,296.85	2,264.10	2270.35	2,274.05	11,92,015	27,163.33
21-Jan-14	2,334.00	2,339.25	2,275.10	2285.25	2,280.30	15,66,141	35,974.18

A Study On Fundamental Analysis

20-Jan-14	2,218.95	2,350.00	2,215.50	2334.9	2,338.20	30,05,279	69,055.29
17-Jan-14	2,298.00	2,298.00	2,206.05	2219.85	2,213.05	37,82,378	84,858.41
16-Jan-14	2,380.00	2,380.10	2,325.00	2359	2,350.30	14,98,981	35,197.43
15-Jan-14	2,342.45	2,378.20	2,327.00	2361	2,353.60	15,24,427	35,878.31
14-Jan-14	2,372.00	2,384.80	2,320.00	2330	2,326.75	14,87,482	34,792.23
13-Jan-14	2,285.00	2,384.00	2,285.00	2380	2,368.75	19,07,158	44,724.03
10-Jan-14	2,260.00	2,309.80	2,235.00	2290	2,280.90	16,84,667	38,360.72
9-Jan-14	2,228.75	2,255.50	2,222.10	2239	2,241.95	12,91,103	28,910.57
8-Jan-14	2,212.00	2,244.00	2,210.00	2229.95	2,232.65	12,75,010	28,439.55
7-Jan-14	2,240.00	2,256.45	2,199.00	2207.9	2,206.15	14,48,743	32,276.13
6-Jan-14	2,229.00	2,244.00	2,197.00	2234.8	2,239.60	11,55,905	25,709.41
3-Jan-14	2,164.70	2,229.10	2,147.25	2224.1	2,222.20	13,09,087	28,887.57
2-Jan-14	2,166.00	2,189.00	2,156.15	2167.95	2,167.00	8,63,474	18,745.65
1-Jan-14	2,180.10	2,184.50	2,151.10	2153.7	2,153.30	2,64,976	5,722.28
31-Dec-13	2,160.10	2,184.95	2,150.90	2174.25	2,172.05	6,22,888	13,528.32
30-Dec-13	2,170.00	2,175.25	2,146.70	2159	2,156.05	8,34,388	18,022.65
27-Dec-13	2,107.00	2,169.90	2,105.00	2165.15	2,160.65	12,39,973	26,600.42
26-Dec-13	2,115.00	2,117.00	2,091.45	2094	2,100.30	11,48,597	24,183.20
24-Dec-13	2,119.80	2,129.00	2,104.25	2109	2,110.70	4,35,078	9,210.06
23-Dec-13	2,129.95	2,143.45	2,097.95	2113.3	2,109.05	6,60,612	13,974.42
20-Dec-13	2,088.10	2,130.00	2,085.85	2128.15	2,120.55	9,82,906	20,757.08
19-Dec-13	2,075.95	2,110.00	2,062.65	2086.1	2,081.50	10,80,993	22,553.05
18-Dec-13	2,040.00	2,071.00	2,038.00	2055.5	2,055.80	7,93,995	16,349.42
17-Dec-13	2,031.60	2,065.85	2,030.00	2045.3	2,045.35	14,97,737	30,725.16
16-Dec-13	2,013.70	2,039.80	2,005.15	2020.2	2,019.15	14,29,250	28,906.96
13-Dec-13	2,037.95	2,045.00	1,995.00	2007	2,001.80	17,31,675	34,888.85
12-Dec-13	2,045.00	2,064.00	2,025.10	2028	2,028.90	8,27,982	16,847.26
11-Dec-13	2,079.00	2,086.85	2,043.00	2056	2,058.05	7,78,031	16,021.95
10-Dec-13	2,000.00	2,089.00	2,000.00	2087	2,082.75	18,26,667	37,726.32
9-Dec-13	2,029.00	2,029.95	2,000.00	2002	2,004.85	9,13,170	18,348.93
6-Dec-13	1,991.00	2,010.00	1,991.00	2001	2,000.30	7,23,481	14,479.22
5-Dec-13	2,016.00	2,033.55	1,983.05	1984.8	1,987.15	6,98,595	13,955.72
4-Dec-13	2,019.90	2,031.60	1,993.65	2003.5	2,000.05	7,59,518	15,294.37
3-Dec-13	2,016.05	2,042.00	2,015.05	2018.85	2,020.80	7,24,592	14,698.88
2-Dec-13	1,995.00	2,021.00	1,995.00	2020	2,013.90	6,26,630	12,598.46
29-Nov-13	1,992.00	2,014.70	1,981.80	2005.05	2,004.35	9,62,406	19,277.39
28-Nov-13	1,993.10	1,996.55	1,970.00	1986.9	1,984.60	14,02,861	27,816.07
27-Nov-13	2,009.00	2,013.70	1,975.00	1979.8	1,986.45	10,60,489	21,145.48
26-Nov-13	2,003.10	2,016.45	1,987.00	1991	1,993.70	10,23,706	20,428.66
25-Nov-13	2,008.00	2,026.85	1,993.10	2012	2,013.25	9,75,499	19,603.53
22-Nov-13	1,991.00	2,011.00	1,985.10	2003.9	2,000.85	7,47,247	14,942.99
21-Nov-13	2,023.20	2,034.70	1,980.00	1989.95	1,986.60	11,51,441	23,067.57
20-Nov-13	2,046.85	2,049.90	2,017.00	2026	2,023.60	8,29,348	16,890.63
19-Nov-13	2,049.95	2,055.00	2,021.20	2031.95	2,029.90	10,38,932	21,108.82
18-Nov-13	2,046.00	2,059.90	2,032.25	2050	2,044.00	14,15,801	28,993.16
14-Nov-13	2,072.00	2,072.00	2,021.85	2026.3	2,026.20	10,64,852	21,702.16

A Study On Fundamental Analysis

13-Nov-13	2,098.95	2,106.20	2,043.65	2048.8	2,049.00	6,04,169	12,506.07
12-Nov-13	2,096.85	2,121.70	2,079.00	2080	2,087.15	5,00,341	10,502.62
11-Nov-13	2,090.00	2,140.00	2,050.00	2099.95	2,094.65	9,80,569	20,714.29
8-Nov-13	2,130.00	2,131.75	2,071.20	2088.7	2,090.85	8,04,673	16,879.36
7-Nov-13	2,100.00	2,148.15	2,080.30	2116	2,121.95	9,78,474	20,788.94
6-Nov-13	2,063.00	2,103.55	2,059.05	2093.1	2,091.10	8,33,875	17,387.59
5-Nov-13	2,100.00	2,105.00	2,031.70	2043.85	2,042.00	11,30,643	23,247.14
3-Nov-13	2,100.00	2,109.40	2,095.20	2099	2,099.00	65,452	1,375.50
1-Nov-13	2,110.00	2,141.95	2,091.10	2096	2,097.60	6,73,240	14,198.66
31-Oct-13	2,089.00	2,129.00	2,079.40	2108	2,112.05	17,61,538	37,072.57
30-Oct-13	2,070.25	2,100.00	2,070.25	2094.7	2,091.95	10,57,437	22,095.37
29-Oct-13	2,065.00	2,085.80	2,047.90	2073.85	2,069.80	9,14,538	18,884.67
28-Oct-13	2,068.00	2,089.80	2,052.55	2066	2,063.95	9,01,971	18,641.76
25-Oct-13	1,995.00	2,072.00	1,995.00	2065	2,067.75	12,63,701	25,872.81
24-Oct-13	2,042.00	2,082.35	2,001.85	2007.95	2,008.70	18,08,879	36,840.83
23-Oct-13	2,088.50	2,103.00	2,046.15	2054	2,061.15	12,27,748	25,339.77
22-Oct-13	2,088.00	2,107.65	2,076.85	2088	2,089.35	10,22,307	21,388.22
21-Oct-13	2,125.00	2,127.95	2,050.00	2076.8	2,071.65	18,42,686	38,149.00
18-Oct-13	2,104.80	2,133.80	2,061.55	2119	2,120.65	26,73,083	56,260.12
17-Oct-13	2,230.00	2,230.00	2,095.70	2099	2,108.45	33,43,607	71,793.49
15-Oct-13	2,235.00	2,258.85	2,201.00	2216	2,215.40	23,32,546	52,014.07
14-Oct-13	2,127.50	2,225.00	2,125.00	2218.5	2,212.75	21,87,230	47,925.80
11-Oct-13	2,103.00	2,138.00	2,082.40	2128	2,122.05	11,42,224	24,179.67
10-Oct-13	2,088.00	2,098.00	2,067.25	2088	2,080.00	5,82,160	12,107.19
9-Oct-13	2,055.50	2,097.65	2,045.10	2090.55	2,090.85	8,87,929	18,388.60
8-Oct-13	2,083.00	2,098.00	2,056.55	2066.05	2,061.45	9,14,053	18,963.92
7-Oct-13	2,035.00	2,097.70	2,025.30	2095.75	2,089.75	9,96,939	20,574.01
4-Oct-13	2,032.00	2,069.00	2,026.95	2038.6	2,033.60	9,67,016	19,837.78
3-Oct-13	1,971.80	2,036.90	1,960.40	2024	2,024.60	23,36,177	47,186.70
1-Oct-13	1,932.00	1,954.85	1,916.70	1950	1,949.05	7,95,997	15,472.66
30-Sep-13	1,954.00	1,961.85	1,920.00	1922.5	1,927.80	9,93,675	19,308.10
27-Sep-13	1,943.10	1,961.95	1,937.45	1945.1	1,948.10	8,92,333	17,411.51
26-Sep-13	1,954.80	1,974.10	1,935.10	1942.95	1,942.90	24,59,852	47,979.10
25-Sep-13	1,941.50	1,970.95	1,920.20	1953.25	1,959.05	21,66,929	42,087.25
24-Sep-13	1,955.00	1,977.90	1,926.00	1941	1,939.50	24,70,150	48,174.63
23-Sep-13	1,950.00	1,977.20	1,940.00	1957	1,955.10	14,94,379	29,327.62
20-Sep-13	1,950.00	1,989.90	1,941.00	1952.3	1,950.30	17,95,929	35,295.64
19-Sep-13	1,948.00	1,990.00	1,926.50	1958	1,966.30	19,53,620	38,413.23
18-Sep-13	1,942.05	1,964.80	1,937.90	1951	1,954.50	10,54,909	20,600.93
17-Sep-13	1,900.00	1,952.55	1,897.10	1944.3	1,947.45	16,63,908	32,102.41
16-Sep-13	1,950.00	1,985.00	1,894.05	1895.6	1,902.55	12,30,253	23,596.54
13-Sep-13	1,965.00	1,990.00	1,946.55	1961.7	1,953.75	10,48,160	20,580.02
12-Sep-13	1,995.00	1,998.55	1,945.80	1969	1,967.90	9,52,784	18,698.29
11-Sep-13	2,008.00	2,018.00	1,983.50	1987.95	1,993.80	15,04,247	30,072.23
10-Sep-13	1,986.00	2,016.70	1,981.00	1989.95	1,987.90	21,50,486	42,890.31
6-Sep-13	2,009.00	2,025.00	1,975.00	1980	1,988.80	13,79,798	27,568.85
5-Sep-13	2,069.00	2,069.00	1,981.05	1994	1,990.75	19,63,746	39,414.61

A Study On Fundamental Analysis

4-Sep-13	2,000.00	2,078.80	1,993.95	2075	2,069.10	13,13,258	26,984.57
3-Sep-13	2,050.10	2,067.00	1,986.15	1989.45	2,001.10	11,77,532	23,957.79
2-Sep-13	2,020.00	2,069.00	2,017.50	2057	2,056.85	10,77,017	22,046.27
30-Aug-13	1,939.00	2,050.00	1,930.00	2030	2,033.20	26,41,471	52,996.67
29-Aug-13	1,901.00	1,970.00	1,878.30	1930	1,947.10	29,52,591	57,285.11
28-Aug-13	1,828.00	1,946.10	1,828.00	1900	1,907.90	22,22,342	42,347.10
27-Aug-13	1,839.00	1,878.85	1,830.00	1838	1,838.80	9,72,642	18,075.47
26-Aug-13	1,823.10	1,878.60	1,814.00	1850.05	1,842.00	13,31,619	24,690.29
23-Aug-13	1,794.00	1,838.00	1,784.30	1822	1,829.45	20,16,442	36,608.41
22-Aug-13	1,705.00	1,797.15	1,695.20	1774	1,778.95	21,30,494	36,949.49
21-Aug-13	1,740.10	1,743.70	1,701.15	1720	1,717.80	18,11,997	31,155.85
20-Aug-13	1,789.80	1,789.80	1,730.00	1739	1,736.40	13,62,422	23,768.21
19-Aug-13	1,798.00	1,807.00	1,755.55	1770	1,777.45	10,60,676	18,909.38
16-Aug-13	1,824.20	1,830.00	1,755.55	1779	1,780.90	13,89,965	24,872.33
14-Aug-13	1,824.50	1,858.00	1,802.00	1842	1,833.50	16,51,034	30,286.56
13-Aug-13	1,820.20	1,844.85	1,809.95	1820	1,819.80	10,84,148	19,800.34
12-Aug-13	1,841.00	1,841.00	1,808.15	1822	1,814.00	10,38,787	18,888.13
8-Aug-13	1,805.10	1,856.15	1,783.70	1846	1,845.40	10,79,314	19,747.32
7-Aug-13	1,874.00	1,890.90	1,813.45	1818.95	1,822.70	13,47,490	24,938.83
6-Aug-13	1,873.00	1,881.95	1,864.65	1871	1,870.10	11,52,645	21,571.73
5-Aug-13	1,840.00	1,877.40	1,840.00	1864.7	1,867.20	11,77,592	22,000.91
2-Aug-13	1,819.70	1,849.90	1,816.70	1843	1,845.85	9,23,427	17,016.66
1-Aug-13	1,810.05	1,834.80	1,790.00	1816	1,815.40	10,70,589	19,467.11
31-Jul-13	1,790.00	1,831.50	1,789.45	1814	1,815.50	14,13,375	25,690.97
30-Jul-13	1,780.00	1,804.95	1,775.45	1789.6	1,792.30	13,08,742	23,486.95
29-Jul-13	1,758.00	1,794.60	1,757.25	1776.95	1,779.20	8,87,131	15,782.99
26-Jul-13	1,795.00	1,798.95	1,750.10	1770	1,774.50	11,89,532	21,162.32
25-Jul-13	1,780.00	1,810.00	1,766.70	1788	1,795.75	20,44,404	36,508.16
24-Jul-13	1,748.50	1,792.00	1,745.00	1783	1,782.80	10,90,822	19,403.55
23-Jul-13	1,748.00	1,780.45	1,743.60	1750	1,749.80	8,23,251	14,460.52
22-Jul-13	1,741.00	1,758.80	1,728.30	1747.85	1,746.50	14,87,386	25,970.09
19-Jul-13	1,719.00	1,759.00	1,700.00	1743	1,742.80	42,75,402	74,307.00
18-Jul-13	1,680.00	1,692.30	1,644.00	1658.5	1,660.40	17,22,766	28,664.03
17-Jul-13	1,645.05	1,684.95	1,645.05	1675	1,678.50	14,99,625	25,110.29
16-Jul-13	1,625.00	1,666.35	1,617.60	1647	1,649.35	11,12,493	18,362.04
15-Jul-13	1,601.10	1,647.30	1,599.30	1640	1,641.75	10,30,285	16,844.79
12-Jul-13	1,595.00	1,624.80	1,579.30	1610	1,609.85	16,25,768	26,126.81
11-Jul-13	1,520.00	1,570.00	1,520.00	1560	1,564.55	11,67,637	18,114.57
10-Jul-13	1,510.00	1,526.80	1,498.00	1519	1,511.95	6,61,312	9,986.91
9-Jul-13	1,495.30	1,521.75	1,495.30	1504.15	1,504.90	5,48,663	8,270.23
8-Jul-13	1,528.00	1,535.00	1,500.00	1507	1,506.65	8,29,398	12,585.30
5-Jul-13	1,542.00	1,558.00	1,522.00	1529	1,530.20	6,46,506	9,962.54
4-Jul-13	1,490.85	1,541.00	1,490.00	1540	1,538.30	9,58,530	14,597.26
3-Jul-13	1,497.70	1,519.00	1,465.00	1485	1,489.80	7,65,453	11,417.09
2-Jul-13	1,493.10	1,508.50	1,486.65	1500	1,500.55	8,28,621	12,406.45
1-Jul-13	1,512.00	1,516.70	1,483.40	1489	1,492.35	6,77,326	10,128.86
28-Jun-13	1,495.00	1,524.30	1,458.20	1521	1,518.15	24,08,548	36,104.86

A Study On Fundamental Analysis

27-Jun-13	1,447.80	1,497.00	1,442.00	1485	1,491.90	19,10,339	28,121.18
26-Jun-13	1,396.90	1,447.75	1,381.05	1446	1,437.70	11,63,244	16,548.58
25-Jun-13	1,413.50	1,427.10	1,380.70	1391	1,392.30	9,30,274	13,152.45
24-Jun-13	1,415.00	1,434.10	1,400.10	1412.9	1,410.70	9,44,582	13,402.39
21-Jun-13	1,408.80	1,431.85	1,408.00	1422	1,422.25	14,24,112	20,242.23
20-Jun-13	1,421.00	1,433.15	1,399.10	1399.1	1,404.50	20,86,439	29,628.32
19-Jun-13	1,454.90	1,454.90	1,423.55	1424.25	1,427.70	10,69,894	15,317.40
18-Jun-13	1,455.00	1,460.00	1,440.15	1442.05	1,443.80	11,45,764	16,577.16
17-Jun-13	1,453.00	1,465.00	1,428.00	1451.8	1,452.45	12,92,081	18,672.05
14-Jun-13	1,448.00	1,457.25	1,431.00	1454	1,450.70	15,52,998	22,456.12
13-Jun-13	1,460.00	1,464.00	1,435.10	1439	1,445.65	15,75,671	22,834.49
12-Jun-13	1,494.10	1,495.10	1,462.05	1470.85	1,468.10	24,02,977	35,394.54
11-Jun-13	1,530.20	1,542.00	1,492.00	1494.85	1,501.55	11,02,734	16,747.43
10-Jun-13	1,525.05	1,544.70	1,519.10	1529.15	1,525.05	16,80,215	25,741.58
7-Jun-13	1,470.10	1,539.00	1,468.00	1522.6	1,518.95	17,75,422	26,887.52
6-Jun-13	1,453.70	1,478.50	1,452.05	1472	1,470.75	12,70,226	18,664.16
5-Jun-13	1,461.10	1,472.65	1,452.70	1472.4	1,467.80	8,64,338	12,657.47
4-Jun-13	1,460.00	1,473.90	1,450.15	1464	1,465.35	6,52,660	9,543.28
3-Jun-13	1,504.00	1,507.00	1,457.10	1470	1,469.40	15,48,806	22,815.00
31-May-13	1,491.00	1,509.25	1,476.75	1501	1,498.45	9,64,934	14,451.47
30-May-13	1,500.00	1,512.00	1,487.00	1508	1,499.40	12,04,173	18,062.79
29-May-13	1,516.00	1,527.50	1,485.10	1495	1,497.35	7,26,019	10,938.45
28-May-13	1,498.00	1,516.50	1,490.30	1514.9	1,514.10	7,00,127	10,533.87
27-May-13	1,469.50	1,500.00	1,460.00	1490.55	1,498.00	10,11,932	15,064.74
24-May-13	1,500.00	1,502.95	1,463.60	1472	1,469.55	7,93,306	11,707.75
23-May-13	1,495.00	1,526.75	1,478.35	1496	1,492.70	15,31,981	22,975.96
22-May-13	1,498.00	1,509.15	1,492.30	1496.7	1,498.40	9,23,472	13,845.75
21-May-13	1,465.00	1,502.00	1,465.00	1493	1,492.85	9,49,216	14,175.90
20-May-13	1,471.25	1,478.00	1,461.00	1477.7	1,472.40	6,92,752	10,169.03
17-May-13	1,455.00	1,478.50	1,454.10	1469.05	1,473.80	14,50,100	21,289.48
16-May-13	1,469.00	1,469.00	1,447.45	1455.8	1,454.05	12,07,826	17,555.60
15-May-13	1,458.10	1,477.20	1,450.00	1462	1,471.55	17,82,963	26,080.85
14-May-13	1,455.10	1,470.55	1,443.75	1458	1,457.95	11,25,050	16,426.46
13-May-13	1,480.00	1,481.00	1,445.70	1451.6	1,451.60	9,31,249	13,595.24
11-May-13	1,495.00	1,495.00	1,486.10	1486.7	1,489.65	28,017	417.35
10-May-13	1,498.45	1,510.90	1,491.10	1494	1,495.90	5,69,857	8,542.88
9-May-13	1,483.20	1,503.45	1,483.00	1500	1,498.45	9,74,850	14,604.70
8-May-13	1,472.00	1,487.80	1,470.00	1479.8	1,480.10	8,84,065	13,090.46
7-May-13	1,467.10	1,478.85	1,457.40	1469.3	1,471.60	11,30,090	16,593.52
6-May-13	1,420.00	1,472.40	1,420.00	1465.05	1,467.20	18,63,559	27,101.26
3-May-13	1,426.00	1,447.25	1,407.90	1420	1,418.50	18,20,895	25,986.68
2-May-13	1,373.50	1,438.80	1,373.50	1425	1,433.90	28,15,163	39,897.96
30-Apr-13	1,368.00	1,382.00	1,365.00	1376.35	1,378.40	20,10,285	27,604.27
29-Apr-13	1,365.00	1,384.70	1,365.00	1370.7	1,370.75	19,84,458	27,273.21
26-Apr-13	1,393.00	1,393.45	1,365.10	1366.95	1,369.35	23,77,038	32,672.58
25-Apr-13	1,430.55	1,430.55	1,398.65	1401	1,402.30	39,64,597	55,795.56

A Study On Fundamental Analysis

23-Apr-13	1,424.45	1,448.00	1,424.00	1428.95	1,430.55	16,92,085	24,251.21
22-Apr-13	1,446.00	1,459.80	1,425.00	1425	1,425.30	14,81,242	21,242.00
18-Apr-13	1,487.95	1,494.90	1,427.45	1443.1	1,452.75	42,77,229	62,075.41
17-Apr-13	1,495.00	1,499.00	1,431.00	1459.85	1,456.65	26,39,502	38,557.92
16-Apr-13	1,470.00	1,493.45	1,457.95	1480	1,483.15	15,35,791	22,622.94
15-Apr-13	1,513.50	1,514.00	1,448.35	1473	1,472.45	26,95,748	39,730.67
12-Apr-13	1,481.90	1,524.50	1,478.35	1512	1,511.75	25,16,030	37,863.10
11-Apr-13	1,540.00	1,550.10	1,520.70	1537.75	1,536.90	11,22,329	17,252.57
10-Apr-13	1,509.90	1,538.90	1,501.00	1536.75	1,530.45	10,23,142	15,534.77

BIBLIOGRAPHY

Websites:

- 1) www.tcs.com
- 2) www.rbi.org.in
- 3) www.moneycontrol.com
- 4) www.equitymaster.com
- 5) www.nseindia.com
- 6) <http://www.business-standard.com/india/index2.php>
- 7) <http://economictimes.indiatimes.com/>
- 8) http://en.wikipedia.org/wiki/Magnetic_ink_character_recognition
- 9) http://finance.indiabizclub.com/info/indian_banking_industry
- 10) http://finance.indiamart.com/investment_in_india/banking_in_india.html
- 11) www.ibef.com
- 12) www.ministryoffinances.co.in
- 13) www.investopedia.com